

INTERVIEW TRANSCRIPTION

Summary notes of 12-14-12 interview of Patricia Megason

Tom Patton, Deputy Attorney General

CONFIDENTIAL

Parks and Recreation Investigation

Interview of Patricia Megason

By Tom Patton on December 14, 2012

Tom Patton: So we are on the record. It is Friday, December 14 -- it's about 4:40 p.m., and this is Thomas M. Patton, Deputy Attorney General -- and with me is Scott Demaderis -- uh, Legal Secretary in our office. And we also have Patricia Megason, and we are in the 17th floor Government Law section at the Attorney General's Office, 1300 I Street and if you could spell your last name for me?

Patricia Megason: Sure. Megason.

TP: And I appreciate you coming down -- I wanted to -- I just wanted to get a little bit of your bio in terms of where you've worked and then I'm gonna ask you just a couple of specific questions and then show you some numbers and uh -- I think this should be over pretty quickly. So I understand you were the Director of the Parks and Recreation Department at one point.

PM: Correct.

TP: Can you run me through your state employment history? Starting though from the beginning?

PM: Um -- I started with the California State Legislature in 1981 -- I believe it was April. -- Um. -- worked there for

TP: Doing what?

PM: Well I started off as a scheduling secretary

TP: Ok.

PM: And then became a Chief of Staff to an Assembly member and worked for that member until she retired in 1986.

TP: Who's that?

PM: Assembly woman Gene Morthhead.

TP: Ok.

PM: Local Assembly woman – and this is where I went – the Legislature he transitioned from this to that – she was a chair of a select committee at the time and now when she retired another assemblyman took over that committee so I became his staff person. Assembly member Steve Clute.

TP: Clute?

PM: Mm-hmm – Clute, I believe.

TP: Ok.

PM: Um – worked for him – I left the Legislature for probably a year and a half. Went back in 1990 and worked for Don Cortasey.

TP: Ok.

PM: Who was Chair of the Assembly Local Government Committee at the time.

TP: Ok.

PM: Until the fall of 1993, and I was appointed by Pete Wilson to be the Deputy Director of Legislation over State Parks.

TP: I didn't realize that was a Governor's appointed position.

PM: Yes, generally.

TP: Ok.

PM: Most of the Deputy positions are

TP: Ok.

PM: Which was – it was a long time ago.

TP: Alright.

PM: So I was Deputy Director of Legislation, external affairs for approximately two years. Then the Chief Deputy left and I was appointed Chief Deputy

TP: Who was that Chief Deputy who left?

PM: Marty Dyer.

TP: Marty Dyer.

PM: Yeah – Marty Dyer, I believe

TP: Ok.

PM: Gentleman.

TP: So 2005 you were appointed Chief Deputy

PM: No –

TP: I'm sorry.

PM: 1995.

TP: Fall of

PM: Some time in '95

TP: Fall of 1993 – Wilson appointed you Deputy Director State Legislation External Affairs

PM: Right.

TP: 1995 – appointed Chief Deputy

PM: Correct.

TP: Ok.

PM: And then from '95 til '97 I was Chief Deputy.

TP: And let me just make this note – you say you took over for Marty Dyer?

PM: Correct.

TP: Marty, it was a he?

PM: Yes.

TP: Dyer?

PM: Yes. Martin Dyer.

TP: Martin Dyer – took Martin Dyer's Chief Deputy spot in '95 –ok.

PM: And he went to another agency – I don't remember what it was.

TP: Ok.

PM: Um – and then in '97 – so I served as Chief Deputy in '95 til sometime in '97 and –uh— under the Director Donald Murphy. The whole time I was there Donald was the Director.

TP: Mm-hmm

PM: And then when Donald left I was appointed acting Director. Approximately December of '97 – I really don't know. I'm sure I have a letter somewhere or something.

TP: You were appointed acting director?

PM: Mm-hmm

TP: December of '97? By Wilson?

PM: Correct.

TP: Ok.

PM: Or Director I guess you would say.

TP: You were

PM: I was never confirmed.

TP: Ok.

PM: I never went through the confirmation process – so

TP: Got it

PM: So you're appointed director but you're never confirmed

TP: Right.

PM: And I was there until the first week of January of 1999.

TP: And then – so you served throughout '98 as Director or Acting Director, and then you stayed into the first week of '99?

PM: Correct.

TP: Is that when Gray Davis took office?

PM: Correct – there was

TP: So you left the position when Gray Davis took office?

PM: There was 120 of us pending confirmation

TP: Mm-hmmm

PM: And Governor Davis pulled all of our names back at the same time.

TP: Ok. And you stopped serving as acting director? You left the agency when your name was pulled?

PM: Right. Yes.

TP: Did someone immediately come in in January?

PM: No – um – Rusty Areias was the appointed a couple months later.

TP: Ok.

PM: And then

TP: Got it

PM: So they served with – I had an acting Chief Deputy so I think he ran the agency in the intervening couple of months.

TP: Who was that?

PM: Um – Ken Jones.

TP: Ok. So he had been your acting chief deputy in '98?

PM: Correct.

TP: Ok.

PM: He was uh –

TP: He'd been a Parks operations Deputy Director right?

PM: Yes. -- Mm-hmm. – For a long time.

TP: Ok. Alright. Appreciate it. Now you read the newspaper reports about some undisclosed funds in the budget reports to the Department of Finance right?

PM: Yes.

TP: And have you talked with anyone from the Parks Department since these stories came out in July?

PM: No.

TP: Ok. Nobody's asked you anything? I'm the first one?

PM: Yes.

TP: Ok.

PM: I mean – it's been fourteen years

TP: Alright, ok. Well – I'm going to show you and this is why I wanted to touch base with you. I realize that your tenure that or in your directorship was quite a while ago. These are

PM: I'm going to have to get my glasses out here but let's see.

TP: What kind of – what sort of glasses would work for you? I have one and a half power – you've got glasses?

PM: Yes, I think I do.

TP: Yeah I don't want you to – actually I don't even need to stop this – oh maybe I do, I thought it paused on it. Um – Ok. here's what I want to show you. This is a spreadsheet that the Department of Finance prepared and what it shows are two funds: the State Parks and Recreation Fund – you're familiar with that I'm sure.

PM: Mm-hmm

TP: And then the Off Highway Vehicle Fund.

PM: Mm-hmm

TP: And what it's – what it compiles as the numbers that it is compiling are the the Controller's balance is actually this line, it's the adjusted balance, the cash balance at the year end – fiscal year end reported to Controller. So here's – this is the first balance on the top line minus some encumbrances so we get to an adjusted balance. And then this number just above the line is the balance for this fund at the same time period reported in the fund conditions statement in the budget going to the Finance Department.

PM: Ok.

TP: That all sound relatively familiar?

PM: No.

TP: You've heard of – do you know – you ever heard of a fund conditions statement?

PM: It's been a long time since I've dealt with that

TP: But I mean – you know that there's a submission to Finance? You know that there's reports that go to Controller?

PM: Ok. Yes.

TP: Right?

PM: Yes.

TP: I mean it's actually – it's fairly straight forward. So this is what was reported to Controller. And this is what was reflected as being the balance in the documents submitted to the Finance Department through the budget.

PM: Mm-hmm

TP: Same fund different number. This is back in 1993. And then what I want to show you is – and actually I'm informed and I think it's correct that it's not unusual to see some amount of difference because there are different accounting methodologies to Controller reports are based on a cash reporting where it's like your checkbook.

PM: Mm-hmm

TP: What you have in it and any checks you've written.

PM: Whatever is outstanding.

TP: Right. And the Finance balance, they may reflect some additional encumbrances that are not really yet checks written -- that they know that they've got something in the works. So they may actually reflect a little bit less, but it should be able to be reconciled then and you – and you come up with the same number. So I don't really know to what extent – this number below the line represents the difference between the two balances and this is how much more is indicated in the reports to the Controller then in the report to the Finance Department, ok? So as of the close of Fiscal year '93 -- and this is in millions 4.5 million

PM: I made that assumption.

TP: Yeah. 4.5 million more was reported for the State Parks and Recreation Fund to the Controller than to the Finance Department – and the number it's around 4 million at the end of '93 and '94 – the difference actually drops a little bit and it's 2.4 million approximately at the close of '95. It's back at 5.5 million dollars difference at the close of '96 – and right here '97 is where it starts to grow just a tiny bit – it only grows – you know \$800,000 from 5.5 to 6.4 – I guess that's \$900,000 at the close of '97. And then the disparity really starts to grow. And in '98 the difference between the balances is 9.3 million. At the close of '99 it's 13.9 million. Close of 2000 its 20 million. It keeps growing – end of 2001 its 22.8 million – end of '02 its 26.8 million. This is where it peaks at the end of '03 29.2. And then it comes down a little bit 26.7 at the end of '04. 21.9 – I'm sorry – 23.9 at the end of '05, and then down to 21 and a half at the end of '06 and right around 20 at the end of '07 and it stayed pretty close to 20 – really since about '06 on – the last five or six years it's been

PM: I'm sorry Tom.

TP: Yeah.

PM: So again the top line is?

TP: This is the initial balance to the Controller. And then the Controller's balance

PM: So this is the initial balance in SPRF?

TP: Yeah. But the top line is not quite as instructive as this line – the second to last above the line because that's the adjusted balance reported to the Controller. They're making some adjustments for encumbrances.

PM: Mm-hmm

TP: In the Controller's report. So this second – this line here is actually more accurate reflection of the true cash balance.

PM: Right, but I also think it's very interesting -- this number versus this one

TP: Ok. (inaudible) versus what number?

PM: Well you see a big jump from here to here

TP: Oh yeah. Yeah. That there's that much more at the end of the year.

PM: Mm-hmm

TP: I don't disagree with that. I will tell you that – and that's a good observation that whereas from '93 – 4, 5, 6, 7, 8 it was always around 12 – 15 million at the end of the year. It then grows – it doubles in '99 to 30 and we're up to 47 and 50 – although those are not the adjusted balances. We really kind of have to look at this to see how much money was left over. But you're right; the amount of money left over at the end of 2001 is 41 million as opposed to 21 million in 2000. And I will tell you that this probably has a lot to do with after you'd left there was 2,000 proposition 12 – it was a 2.1 billion bond act.

PM: Yeah I'm familiar with that. There was also something else that you may or may not be aware of – as I'm remembering it – in that – when Gray Davis came in they – see if I get this right – they re – uh – Parks budget as I remember and I can't tell you the specific numbers – sorry I don't have that kind of recollection for 14 years ago, but it was dependent on two main funding sources SPRF in general.

TP: Right.

PM: And they did a major insertion of general fund dollars when Gray Davis came in – in order to reduce Park fees.

TP: I am aware of that – and I've had someone about that.

PM: Yeah. So I remember that happening which a lot of us were going – that that plastic – you're doing a – you know – one time monies – your doing something and then the next year what's gonna happen. It's an ongoing encumbrance and you're pinning it with one time dollars.

TP: What was the oncoming encumbrance?

PM: With the operation of the Department

TP: Right.

PM: So.

TP: Right. No – and I've been told, in fact, exactly that same thing – that given that report – the revenue, the fees were ordered cut in '99 when Davis came in – reduced the amount of SPRF revenue -- general fund appropriation increased but it was not a permanent general fund increase.

PM: Right.

TP: And I'm doing a lot of work on looking at those numbers.

PM: Right.

TP: What I'm interested in knowing from you is –you – is – these numbers here – the difference -- the below the line – the difference between what was reported to the Controller at years end versus what was reported to Finance -- as I just pointed out, grew from 6.4 million to 9.4 between '98 – 7 and '98. And it grew again from 9.4 to 13.9 between '98 and '99 and it grew again to almost 20 million in 2000. Now you were in the Chief Deputy spot in between 97-8, and '98-9 til you were – I'm sorry – '96-7, and '97-8

PM: Right.

TP: And then you were appointed in the beginning of '98 to the active director – or you told me December of 97

PM: I think it was the end of September of '97.

TP: So right here you were there just as this growth got started

PM: Right.

TP: And what I want to know is did anybody ever tell you – any – and give you any indication that they were having any trouble in the budget office getting their numbers reconciled with what accounting was reporting?

PM: No.

TP: Ok. Now you recall – and just so you know – now you've read – I'm just going to give you a little education for grims. You've read in the paper that reports were 54 million hidden for as much as twelve years? And you may be pleased to know that that's not true. That was a misstatement – really unfortunately it came out in the Natural Resources press release – at the time when they issued the statement in July – they didn't really know – they hadn't looked -- they didn't have access to all those numbers, but there was 20 million as I pointed out to you in the Parks fund for some number of years – a 20 million dollar difference.

PM: Right.

TP: The other 34 million is Off Highway Vehicle Fund

PM: Which is semi restricted.

TP: Yeah, well but what I want you to be aware of is that in this most -- in the last fiscal year ending June of 2011 there apparently was 33 and a half more reported to the Controller's office than to Finance but the immediately preceding year – it's actually flipped and there was 20 and a half more reported to Finance than the Controller. And you can see in these other years it's very close. Here's a couple years '96 and '97 were 30 or – 30 to 35 million more as reported to Finance than to Controller. These years are close and you can see that the numbers are kind of all over the map. One year 35 million more reported to Finance and another year – you know – 26-22 million more reported to Controller. And I would just tell you that what we've determined at this point is that the Off Highway Vehicle fund has some very unique circumstances with acquisitions – um of land, or planned – you know monies -- large amounts of monies 30 and 40 million dollar acquisitions planned but didn't go through.

PM: So the money was encumbered but never spent?

TP: Yeah. And so it's really a matter of timing and there was also an issue with some tax credits – they get a portion of the excise tax. One year they got an erroneous and confusion of, we're not sure – 50 plus million dollars then got backed out. So I'm just happy to report that our conclusion – at least our best assessment is that there's no undisclosed monies in OHV. 34 million of this report is not substantiated by the facts. There is however the issue of the 20 million, now

PM: So there's not the same

TP: No we've got a consistent difference between – we've got a consistently lower amount reported to Finance then to the Controller for the State Parks and Recreation fund, and that lower amount grew – and it started to grow just in the last two years and then you left and it continued to grow after you left until there was a 29 million dollar difference and it then came down and in the last five years it's been about a 20 million dollar difference. And so what I want to know is, you've already told me no one ever told you that they were having a problem reconciling the SPRF budget

PM: No.

TP: Ok. You recall -- um -- who – now when you were – you were Chief Deputy Director

PM: Mm-hmm

TP: And then you were acting director and Denzel Verardo was your head of administrative services right?

PM: I believe that's correct – and I don't – but he was not a person I personally would have dealt with on budget.

TP: You would have dealt with?

PM: Probably Tom Domich and or Becky Brown.

TP: Right. So Tom Domich was the manager of the financial services section right? He was.

PM: Um – ok. Sorry I don't remember.

TP: Becky Brown was?

PM: Budget Officer maybe.

TP: That's right.

PM: Ok.

TP: Tom Domich was the Financial Services Manager and he was over Becky Brown in budgeting and the accounting side – Freda Luan-Dun, and Contracts and Purchasing. He had the financial side of administrative services.

PM: Ok.

TP: Does that sound right?

PM: Yep.

TP: Ok. And Denzel then was admin services director, so I want to ask you a couple questions – Den – was it your understanding having worked with Tom Domich that he was the guy who ran the financial side of things?

PM: Yes, I would say that – you know – your in executive offices and the people that I remember generally coming up to talk to me about these things or if we were prepping for a budget hearing which I really only appeared, to my recollection that last year, typically it was Donald Murphy who did the budget hearings. Um – it would be Tom or Becky who I would talk to.

TP: Ok. So those were your financial ex

PM: There was one other gentlemen and I don't remember his name.

TP: So, Tom and Becky were your financial experts?

PM: Yes.

TP: Ok. Denzel Verardo mentioned to me that for the latter half of the '90s the Department was doing a performance based budgeting pilot.

PM: Correct. It was four agencies by legislation were established to do PVB and I think a couple of them fell by the wayside. Parks was one of the last – it was still in the program when I left so I don't know when it stopped being a performance based budgeting agency.

TP: Did you – did you understand that Denzel was sort of a person that was in charge of – your nodding your head yes.

PM: Yes -- sorry

TP: That was his project -- I think

PM: Correct.

TP: Ok. And did anyone ever – we'll strike that question – were you aware that this performance based budget required dual accounting tracking?

PM: Yes.

TP: Ok.

PM: It was one of the problems.

TP: Describe that to me.

PM: Well first of all it's just staffing. You had to – staff had to prepare two budgets

TP: Mm-hmm – two budgets

PM: Yeah. That was my understanding.

TP: Ok.

PM: From the meetings I had through that they were saying – you know that we have to prepare two budgets because at that time anyway – that – you know – it didn't fit into the state norm for finance purposes.

TP: Ok. So you were aware

PM: I didn't know about the depth of my knowledge

TP: Yeah. -- Ok.—so you were aware there were two methodologies going on to track and report the budget purposes

PM: Right.

TP: And did anybody ever tell you that that was resulting in some challenges and trying to derive the correct numbers?

PM: No. I heard about challenges just being of workload issues

TP: Uh-huh.

PM: Or the fact that – you know – there are other challenges with performance based budgeting that I would hear about -- people having a hard time understanding – you know – that's what with that, but

TP: I – um – I – based on what I've learned, it appears that Tom Domich was the highest ranking person who was aware of this growing disparity, ok. – You can just take my word for that, that's what I've been given to understand. Would it surprise you if – to find out that he did not report that to someone higher – such as Denzel or yourself?

PM: Um – I guess I would be surprised if Denzel didn't know. It's the Deputy over Tom.

TP: Did – were you familiar – tell me why that would surprise you?

PM: It's just generally the deputies – uh—their staff would generally report to them – that was their role – the deputies to oversee – and to these below them

TP: Mm-hmm

PM: So that would surprise me that perhaps Denzel wouldn't know, but

TP: Things would --

PM: Actually if he were

TP: Go ahead

PM: If he were saying that you think you're implying it that somehow the performance based budgeting accounting part of it was somehow influencing the disparity – is that what you were saying?

TP: It's a possibility. I'm not positive, but that appears to be a possibility. So you're saying that it would surprise you if Tom Domich hadn't reported it to Denzel because obviously Denzel was his immediate supervisor?

PM: Correct.

TP: Do you know anything about their – infor – about their relationship and – you know professional or otherwise

PM: No.

TP: To where you have a feeling that – that based on what you know about the personality – not just the structure, but based on the personality that you would have expected then that Domich would let Denzel Verardo know?

PM: Well from what I remember from Tom, he seems like the type of individual that would report that, yes.

TP: Why do you say that?

PM: He was pretty straight forward.

TP: So you don't see it as a piece of information – assuming he's aware that we've got a growing disparity – it strikes you as odd that that would be something that he would not report up to Denzel?

PM: Correct.

TP: Ok.

PM: Or to Finance. -- I mean – they worked very closely with Finance.

TP: Yeah. – Ok. – Alright. – and I think that's all I have for you.

PM: Ok.

TP: So we're going to go off this record at – oh what time is it?

PM: It's 5:10 approximately.

TP: Great. Thank you -- 5:10 p.m.