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TRANSCRIPTION OF RECORDED INTERVIEW

OF

Kirk Sturm (Telephonically)

October 3, 2012

Sacramento, California

Investigation of Department of Parks &
Recreation - Financial Irregularities

Interviewed by: Thomas M. Patton
Deputy Attorney General
Office of the Attorney
General
State of California

Transcribed by: David Rutt,
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KIRK STURM

1 (Audio begins mid-sentence)

2 MR. PATTON: -- and it is --

3 MR. MATTSON: 11:28.

4 MR. PATTON: -- 11:28, Wednesday,
5 October 3. We're doing a follow-up interview.
6 This is Thomas M. Patton, Deputy Attorney
7 General. Michael Mattson, Special Agent, is
8 in my office with me. And on the phone we
9 have Kirk Sturm.

10 Correct?

11 MR. STURM: Correct.

12 MR. PATTON: All right. We
13 interviewed you previously, I think, on
14 September 28, and you wanted to add some
15 comments to our interview.

16 MR. STURM: Correct.

17 MR. PATTON: Okay. Go ahead.

18 MR. STURM: I was frustrated on the
19 last interview because I was having trouble
20 with recall. I wasn't denying that things
21 weren't happening; I just couldn't remember.
22 And so I started playing my tape. You know, I
23 don't have notes to refresh my recollection.

24 So, yes, I did receive -- you know,
25 as we talked about, I did receive an e-mail

1 from Dorothy, and two things pop into my mind:
2 number one, the need to follow up with her;
3 and number two, there needs to be some sort of
4 handoff. So the follow-up with her occurred.
5 Sometime after the e-mail, I went to her
6 office and I sat down and I explained I don't
7 know what's understanding. Do I realize it's
8 important? Yes. Do I understand the
9 magnitude? No, but give me an example. And
10 specifically we talked about this concept of
11 creating a slush fund. And so --

12 MR. PATTON: "We" who talked about?

13 MR. STURM: Pardon me?

14 MR. PATTON: "We" who talked about?

15 MR. STURM: Dorothy and I.

16 MR. PATTON: Okay.

17 MR. STURM: We talked about this
18 concept of a slush fund, and Manuel had a
19 slush fund. And so I was curious on how that
20 could be created.

21 MR. PATTON: What do you mean by
22 that? Go ahead.

23 MR. STURM: Yeah. Curious on how
24 that could be created. And so what she said
25 was that he would take documents and encumber

1 them at the beginning of the fiscal year, and
2 then at the end of the fiscal year unencumber
3 them. And then what would the -- when the
4 money was unencumbered, what would it be used
5 for? And it would be used for things like a
6 restroom needed a lift station or, you know,
7 different people needed money at the end of
8 the year, and then this way, Manuel could be a
9 hero because there was money that he could use
10 to help fix problems at the end of the year.

11 So I did follow up with her. And
12 the second follow-up --

13 MR. PATTON: Did you talk with Manny
14 Lopez about that?

15 MR. STURM: No.

16 MR. PATTON: Okay. Who else did you
17 talk to about that?

18 MR. STURM: Just Dorothy.

19 MR. PATTON: Okay.

20 MR. STURM: Okay.

21 MR. PATTON: Go ahead.

22 MR. STURM: Currently, I'm trying to
23 find a replacement, you know, on the interim.
24 I'm there for a few months, and two weeks
25 before Thanksgiving, we did one round of

1 interviews. The Monday or Tuesday before
2 Thanksgiving, there were -- we narrowed it
3 down to a couple of people, and the director's
4 office then selected Aaron, and then there was
5 a handoff.

6 And so if you're asking me, you
7 know, gosh, does the stuff on Dorothy's
8 e-mail -- is it important? Yes. Is it
9 something that would make my list of things to
10 pass on? Yes. Do I understand the magnitude
11 of what it is? No. But do I understand that
12 it needs to be passed on? Yes.

13 And so I'm, you know, two weeks away
14 from being done or so, and then at the
15 transition, you know, hand that off to the
16 person. And so would -- again, would that be
17 something that's important enough to hand off?
18 Yes. Because there's other things that got
19 handed off that weren't as important. So,
20 yes, that definitely would be the -- you know,
21 does it ring the bell on importance? Yes.

22 So that's my update.

23 MR. PATTON: Okay. So you're
24 indicating that you specifically recall some
25 discussion about encumbrances?

1 MR. STURM: Yes.

2 MR. PATTON: And I'm looking at
3 Dorothy's twenty-three-item, one-page document
4 that was attached to her e-mail -- to your
5 personal e-mail back on November 20, 2011.
6 And I see she's got a couple of questions
7 early on, eight and nine, single-line
8 questions: when are the unallocated funds
9 released to the district divisions for current
10 year expenditures. Eleven: I'm hearing about
11 a checkbook; what is the checkbook? How much
12 was the checkbook -- how much was in the
13 checkbook in FY10-11? How much is in there
14 now?

15 Do you recall any discussions about
16 a checkbook?

17 MR. STURM: Not a checkbook. The
18 encumbrances.

19 MR. PATTON: Item 12, the next item
20 is, what are programmatic encumbrances? When
21 did the department start doing these types of
22 encumbrances and why are they legal? And
23 thirteen, how much in each of the last two
24 fiscal years has been "programmatically
25 encumbered" at the end -- year end?

1 Do you recall that phrase
2 "programmatic encumbrances"?

3 MR. STURM: No, unless it had
4 something to do with that's how that slush
5 fund was created.

6 MR. PATTON: All right. Let's --
7 let me -- so you don't recall -- did you
8 sit -- do you recall sitting down with this
9 piece of paper in hand? She had sent you this
10 e-mail; this sort of gives you the outline.

11 MR. STURM: Right. No.

12 MR. PATTON: You did not sit down
13 with the -- okay. Do you recall reading the
14 e-mail?

15 MR. STURM: Yeah -- oh, yeah,
16 uh-huh.

17 MR. PATTON: All right. So twelve
18 and thirteen ask questions about programmatic
19 encumbrances, and then going down a few items
20 to nineteen, there's a very specific question,
21 why do we, for the State Parks and Recreation
22 Fund, submit a different amount than what the
23 financial statements indicate (approximately
24 20 million dollar difference that Manuel knew
25 about, but I don't think Dave knows about)?

1 And then twenty, how much is the
2 real fund balance in 0392, which she's
3 referenced in the preceding question as to
4 State Parks and Rec Fund account, and why are
5 we not submitting the real dollar amount on
6 our fund condition statements to DOF? Why are
7 we not asking DOF for the authority to spend
8 this extra 20 million? Why can't we use this
9 extra money to keep our parks open? Isn't it
10 time to come clean with DOF and save our
11 parks? This discrepancy has been on the books
12 since Becky Brown was the Budget Officer and
13 Manuel had full knowledge that this
14 discrepancy exists. Both he and, back in the
15 day, Becky felt it was a political decision to
16 not inform DOF of the discrepancy as they felt
17 if DOF knew about it that they would increase
18 our SPRF authority and cut our General Fund by
19 that amount.

20 Now, to me, Kirk, this is -- these
21 are explosive statements, they're quite clear,
22 and they leap off the page to me. Why are we
23 hiding 20 million from Finance and having our
24 parks closed; why can't we come clean with DOF
25 and save them? To me, on this piece of paper,

1 with everything I see, some of it's sort of
2 vague and hard to understand, this is very
3 easy to understand.

4 MR. STURM: I don't disagree with
5 you.

6 MR. PATTON: Okay. You don't have
7 any recollection of reading "why don't we come
8 clean and save our parks"?

9 MR. STURM: I don't.

10 MR. PATTON: All right. So what you
11 do recall is talking about encumbrances?

12 MR. STURM: Correct.

13 MR. PATTON: And your understanding
14 is something having to do with creating
15 encumbrances becomes the construct for what
16 you called Manny's slush fund?

17 MR. STURM: Correct.

18 MR. PATTON: Do you ever talk
19 with -- did you ever talk with Manny?

20 MR. STURM: No.

21 MR. PATTON: Did you ever talk
22 with -- who was -- well, you took over as the
23 interim admin services, and who was in charge
24 of budget at the time? Well, Dave Saxby was
25 still there.

1 MR. STURM: Was Elsie in charge of
2 budgets?

3 MR. PATTON: Yeah.

4 MR. STURM: Yeah.

5 MR. PATTON: My understanding is
6 there's -- there is something that was
7 maintained known as "a reserve" in order to
8 hedge against revenues not reaching forecasts
9 or unanticipated expenses; in other words, not
10 all of the appropriated funds would
11 necessarily be allocated out to operations.

12 MR. STURM: Right, like -- yeah.

13 MR. PATTON: Some amount would be
14 held back as a reserve. I don't -- that is
15 more of a reserve than a -- than something --
16 I don't know what the phrase "slush fund" -- I
17 don't know what monies in particular that's
18 supposed to be referring to.

19 MR. STURM: Right.

20 MR. PATTON: I don't know if that's
21 monies held unallocated in reserve. Your
22 description of encumbering monies but then not
23 spending them, you know, that could be -- it
24 sounds to me like what that's going to result
25 in is appropriated monies not being spent.

KIRK STURM

1 They'd been listed originally as encumbered
2 but then not spent, so that seems to me it's
3 going to increase a reserve of appropriated
4 funds.

5 MR. STURM: Correct. And then at
6 the end of the fiscal year, you could
7 unencumber that money.

8 MR. PATTON: Yeah. Well, let me ask
9 you this. Why do you call it "Manny's slush
10 fund"?

11 MR. STURM: That was the word on the
12 street that he had a slush fund, and so
13 that's --

14 MR. PATTON: The word in operation?

15 MR. STURM: In operations, yeah.

16 MR. PATTON: So the operation
17 director, when you get there, is Tony Perez?

18 MR. STURM: Is Tony, right.

19 MR. PATTON: Tony has indicated to
20 you there's a slush fund, Manny's got a slush
21 fund?

22 MR. STURM: You know, Tony did not
23 tell me. I can't tell you where I picked that
24 up from, just --

25 MR. PATTON: Was that on the street

1 that -- I --

2 MR. STURM: Yeah.

3 MR. PATTON: I take that to mean
4 outside of admin headquarters.

5 MR. STURM: Correct, outside of
6 admin headquarters.

7 MR. PATTON: In the parks, out in
8 the field.

9 MR. STURM: Out in the field, right.

10 MR. PATTON: And you're talking
11 with -- you know, you're high up in the
12 organization, so you're talking with the
13 bosses of the field.

14 MR. STURM: Correct.

15 MR. PATTON: So people out in the
16 field are telling you that think there's a
17 slush fund?

18 MR. STURM: Right. So I see this
19 stuff that looks like a slush fund.

20 MR. PATTON: Yeah.

21 MR. STURM: So, you know, I think
22 I'm doing good work because I'm finding
23 about -- out about this slush fund. How can
24 this be created?

25 MR. PATTON: I don't understand

1 though -- I guess I just -- I'm real troubled
2 by -- you've got a one-page memo that she's
3 gone to great lengths to tell you she's got
4 issues she wants to communicate and you invite
5 her, you know, for confidentiality concerns,
6 to send it to your home e-mail, and it's right
7 there in black and white on this piece of
8 paper there's 20 million being hidden. I
9 just -- that's real troubling to me, Kirk.

10 MR. STURM: Right. But again, do I
11 understand that it's important? Yes. Do I
12 understand, you know, the implications of
13 that? No. Do I understand this raises the
14 bar on disclosure on the handoff? You know,
15 yes. So -- and again, everything you
16 mentioned to me just now on the phone was in
17 the division; everything's occurring within
18 the division. So I just think this is a
19 division problem.

20 MR. PATTON: So you heard about a
21 slush fund from people in the field. I'm
22 assuming Tony Perez is one of those that's
23 mentioned it. This is the top operations guy.
24 So you're talking with him regularly, right?

25 MR. STURM: Right, but I don't --

1 again, I don't know that Tony told me there's
2 a slush fund. It's more likely that I heard
3 it from something in the field.

4 MR. PATTON: All right. Well -- and
5 who are the people you communicate with in the
6 field? The division chiefs? Park
7 superintendants?

8 MR. STURM: Park superintendants.

9 MR. PATTON: Yeah. And who were
10 your main -- who were the big -- which was the
11 most expensive, most active superintendants in
12 charge of districts they ran?

13 MR. STURM: Well, the closest one is
14 Nick Franco.

15 MR. PATTON: And he's in charge of
16 what?

17 MR. STURM: Hearst Castle.

18 MR. PATTON: Okay. Which you used
19 to be in charge of.

20 MR. STURM: Correct.

21 MR. PATTON: So you communicated
22 with him a lot. Who else?

23 MR. STURM: That's about it in terms
24 of regular communications.

25 MR. PATTON: Who were you talk --

1 who -- what were you doing right before you
2 got appointed admin interim?

3 MR. STURM: I was a couple things.
4 One is I was a full-time student at UCSB, and
5 I think at the time I was helping them
6 transition their law enforcement academy from
7 Monterey down to San Luis Obispo.

8 MR. PATTON: All right. Did you --
9 have you had many conversations with Ted
10 Jackson? You know him pretty well?

11 MR. STURM: Yeah, I know him very
12 well.

13 MR. PATTON: Was he one of the
14 people who told you he's heard rumors about a
15 slush fund?

16 MR. STURM: No, Ted never said it.
17 It didn't come from like division chiefs or
18 anybody in headquarters.

19 MR. PATTON: Okay. So it's coming
20 from lower down in the chain.

21 MR. STURM: Correct.

22 MR. PATTON: So it's widely known
23 there's money, some kind of slush fund.

24 MR. STURM: It's -- there's theories
25 or there's assumptions or something that there

1 are slush funds, yeah.

2 MR. PATTON: There's rumblings
3 throughout the agency?

4 MR. STURM: Right.

5 MR. PATTON: All throughout the
6 field?

7 MR. STURM: Correct.

8 MR. PATTON: There's money, we just
9 don't know exactly what.

10 MR. STURM: Correct.

11 MR. PATTON: Okay.

12 MR. STURM: And those items, in
13 terms of those items you mentioned --

14 MR. PATTON: Yeah. Well, here's the
15 answer right here on this piece of paper. I
16 mean, I could abbreviate nineteen and twenty
17 to be hidden slush fund.

18 MR. STURM: Right.

19 MR. PATTON: And I think I will.
20 Okay. So you're hearing it, and you can't
21 even recall the exact sources it's coming
22 from. There's rumblings out there in the
23 jungle all over the place.

24 MR. STURM: Correct.

25 MR. PATTON: All right. Well,

1 that's interesting. That may take years to
2 figure out who exactly knew what. All right.

3 So anything else? Out in the
4 field -- so this is like the regular title for
5 this not well-understood surplus of money is
6 Manny's slush fund.

7 MR. STURM: Correct.

8 MR. PATTON: Anybody ever indicate
9 any slush fund dollars that were -- came into
10 play and got used?

11 MR. STURM: Well, I think the slush
12 fund concept was that at the end of the fiscal
13 year there always seemed to be money for that
14 restroom that needed repair or a tree would
15 fall on a visitor center and then it could get
16 repaired. So if the money was there for
17 those -- you know, for those things --

18 MR. PATTON: Yeah.

19 MR. STURM: -- where is it coming
20 from?

21 MR. PATTON: Right. Why do we have
22 extra money at the end of the year?

23 MR. STURM: Right. And so I thought
24 I found it. He's encumbering, you know, the
25 money in contracts and then unencumbering at

1 the end of the year.

2 MR. PATTON: Okay. So when you
3 received this Dorothy Kroll e-mail to your
4 home e-mail in November, it's got a one-page
5 attachment, do you recall opening it, looking
6 at it?

7 MR. STURM: Yes.

8 MR. PATTON: It didn't take a whole
9 lot of time to read. It's one page single
10 spaced. It takes about five, ten minutes to
11 read. You read through it?

12 MR. STURM: Yep.

13 MR. PATTON: And these items -- do
14 you have a copy of it still?

15 MR. STURM: I don't.

16 MR. PATTON: -- these items about
17 why do we submit a different amount to -- with
18 regard to the -- this State Parks and Rec
19 Fund, that's the main fund, right?

20 MR. STURM: Right.

21 MR. PATTON: Yeah. Go ahead.

22 MR. STURM: A portion of our income.

23 MR. PATTON: A what?

24 MR. STURM: It's a portion of the
25 income for the department.

1 MR. PATTON: Yeah, yeah. I
2 understand it's a big portion; it's
3 significant. That's a very significant fund
4 for -- so -- but you don't have a specific
5 recollection of these statements about why are
6 we not asking DOF for authority to spend this
7 undisclosed 20 million, isn't it time to come
8 clean and save our works? You don't remember
9 that?

10 MR. STURM: I don't remember it in
11 the document, no.

12 MR. PATTON: Okay. Do you remember
13 it else-wise?

14 MR. STURM: No.

15 MR. PATTON: Okay.

16 MR. STURM: Because from my
17 perception, our SPRF money was accounted for.
18 You know, we were getting SPRF and we were
19 using SPRF, see what I'm saying, from the
20 operations side.

21 MR. PATTON: Yeah. Well, that's how
22 it's supposed to work.

23 MR. STURM: Right.

24 MR. PATTON: And this memo is saying
25 that's not how it's working.

KIRK STURM

1 MR. STURM: Yeah. Again, I get the
2 importance of all twenty-three items. You
3 know, do I -- I'm not picking up on that being
4 more important than -- or the magnitude of
5 that versus the other things. But again,
6 there's a step 2 which is the handoff, you
7 know?

8 MR. PATTON: Yeah.

9 MR. STURM: And I'm working to
10 get -- I'm just thinking to myself, gosh, you
11 know, in another couple weeks I'm going to
12 hand this off, you know, and the timing --
13 again, the week before Thanksgiving was round
14 1. There was tiebreaker interviews -- I'm
15 sorry -- two weeks before Thanksgiving. The
16 week before Thanksgiving, there was another
17 round of interviews, and so I'm just kind of
18 going, okay, I can hand this off, you know,
19 I'm just waiting to hand it off.

20 MR. PATTON: Okay. All right.
21 Well, we appreciate your time. If you have
22 any more specific recollections, feel free to
23 call me again.

24 MR. STURM: Can I ask you one
25 question?

KIRK STURM

1 MR. PATTON: Sure.

2 MR. STURM: Do you have evidence
3 that I handed it off?

4 MR. PATTON: I've got statements
5 from -- yeah, I've got some statements.

6 MR. STURM: Okay.

7 MR. PATTON: Yeah.

8 MR. STURM: All right.

9 MR. PATTON: All right.

10 MR. STURM: Because it would have
11 been important enough that I would have handed
12 it off.

13 MR. PATTON: Yeah. No, I think
14 we've got that.

15 MR. STURM: Right. Okay.

16 MR. PATTON: Yeah.

17 MR. STURM: That's it.

18 MR. PATTON: All right, Kirk.

19 MR. STURM: I get the importance of
20 it so it's in the handoff. I don't get the
21 magnitude of it.

22 MR. PATTON: All right.

23 MR. STURM: And the other thing is
24 I -- you know, handing it off also is
25 validating Dorothy's input. You know, we're

KIRK STURM

1 trying to create this new environment where
2 there's trust and disclosure and talk. And
3 so, yeah, I get one thing that comes at me
4 that's in a different communication channel,
5 obviously I'm going to see it as important.
6 But I would have handed it off to pass on what
7 Dorothy was saying. So -- and again, from my
8 point of view, it was all division-related
9 items.

10 MR. PATTON: Okay. Anything else?

11 MR. STURM: Nope.

12 MR. PATTON: All right, Kirk.

13 Thanks a lot.

14 MR. STURM: Thanks, Tom.

15 MR. PATTON: Okay. We're going off
16 the record at 11:49.

17 Okay. See you, Kirk.

18 MR. STURM: Thank you.

19 (End of audio)

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TRANSCRIBER'S CERTIFICATE
Kirk Sturm interview on 10-3-12

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) ss.
COUNTY OF SACRAMENTO)

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submitted by Heidi Webb at the California
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 I have subscribed this certificate
at New York, New York, this 5th day of
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David Rutt
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