

Probe: State Parks officials knowingly hid money

By Matt Weiser and Jon Ortiz, Sacramento Bee

Former California state parks leaders engaged in a “conscious and deliberate” effort to hide millions of dollars for as long as 13 years, according to an investigation by the state attorney general’s office released Friday.

The long-awaited probe was ordered by Gov. Jerry Brown after revelations, first reported by the Bee in July, that headquarters officials at the California Department of Parks and Recreation kept a stash of “hidden funds.”

At the time, the total was reported as \$54 million, held in two special revenue accounts.

The attorney general’s investigation concludes, however, that only \$20.5 million held in the State Parks and Recreation Fund was truly concealed. The remaining \$33 million, held in the Off Highway Vehicle Fund, was not intentionally hidden but simply obscured by long-term complexities in managing that fund.

The \$20.5 million piled up because the department had a practice of reporting one fund total to the state Controller’s Office and a smaller amount to the Department of Finance, the agency with final authority for compiling the overall state budget. This violated state budgeting rules.

The accumulation of money, however, was “unintended,” according to the investigation, and did not accrue from any misconduct.

Active efforts to keep the money hidden, however, raise questions about whether any employees committed crimes. The

attorney general's office, known as an aggressive law-enforcement agency in other arenas, did not probe this crucial question.

The investigators also were unable to fully explain how the money piled up, despite interviewing 40 key employees in more than 2,000 pages of testimony.

It likely began, according to the investigation, in 1995 when the department was "engaged in a performance-based budgeting project, which reportedly entailed the added complexity of operating dual financial tracking and budgeting programs."

The disparity was first noticed by former budget officer Becky Brown in 1998. When she informed superiors, they made the decision not to inform the Department of Finance, perhaps as early as 1999.

"The primary reason consistently given for not doing so was fear that the department would see its already-reduced general funding cut further if the extra monies ... were revealed," the investigation states.

This extended as high up as the No. 2 employee at state parks, Michael Harris, who was chief deputy director until being fired July 19 just as the scandal was revealed.

"I obviously didn't think it was terribly important because I didn't do anything to change it," Harris said in his testimony. "I would say that I never saw correcting this as being of any benefit to parks."

Harris and other officials told investigators they treated the money as a "rainy day fund." Noting that massive storms in 1997 closed many parks and curtailed visitor spending, officials said they hoped the surplus would cover department costs in the next disaster.

In fact, this was their plan to rectify the surplus someday,

according to the report: spend it on park operations in a future calamity.

The attorney general's office found no evidence the money was used for any "surreptitious expenditure" – or spent for any purpose at all.

It also found no evidence that former parks director Ruth Coleman knew about the money.

Coleman refused to be interviewed by the investigators, citing advice from her attorney. She offered to answer questions in writing, but the attorney general declined.

Coleman resigned July 19, the night before news broke about the hidden money, saying she didn't know about the money but felt obligated to take responsibility. In his testimony, Harris said Coleman was asked to resign.

The investigation also found that Manuel Lopez, the former deputy director of administrative services, was not responsible for accumulating the surplus.

The money began accruing long before Lopez joined the department in 2005. In his testimony, Lopez said he learned about the money soon after joining state parks, and promptly told Harris. From that point on, however, Lopez adhered to the department culture of keeping the surplus secret, according to the investigation.

Lopez is the central figure in a related scandal involving an illegal vacation buyout program offered to 59 employees at parks headquarters, which cost the department at least \$285,000. He admitted authorizing the buyouts, and resigned just as state officials were moving to fire him.

All of this unfolded as the department was moving to close 70 state parks to achieve \$22 million in budget cuts ordered by the governor and Legislature. Money from the separate scandals

would have been sufficient to avoid those closures, had it been revealed.

Yet for reasons that baffle park advocates across California, state parks officials continued to keep the “rainy day” money a closely held secret.

“I feel like this was the rainy day. What were you waiting for?” said Alden Olmstead, who started a nonprofit to collect pocket change from customers at retail counters across the state to help keep parks open.

Also still unanswered is whether any laws were broken by employees who kept the money hidden. The attorney general’s office did not even analyze what the relevant laws might be in that regard.

Linda Gledhill, a spokeswoman for the attorney general, said it will be up to local law enforcement to decide whether crimes were committed – likely Sacramento County District Attorney Jan Scully.

“We were asked to do a civil investigation, which we did, and then turn the facts over,” Gledhill said.

Officials at the state Natural Resources Agency, which oversees the parks department, will analyze the findings to determine whether to involve local law enforcement, said spokesman Richard Stapler.

Mike Genest, former Gov. Arnold Schwarzenegger’s finance director, said he found it “odd” that the attorney general’s office would leave it up to the department’s parent agency to determine whether anyone committed a crime.

“Usually that decision goes the other way,” Genest said.

Since state investigators have determined the hidden money wasn’t spent or embezzled, there may be no crime to prosecute.

That leaves the state with an option it has already exercised: disciplining or firing employees who engaged in the cover-up. It has done so with nearly a dozen state parks employees. The entire leadership at the department is now composed of new people, and numerous accounting and budgeting practices are being reformed.

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