'Betrayed' lawmakers question California state budget accounting

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In their first examination of state accounting problems, California lawmakers condemned parks officials Thursday for hiding nearly $54 million from budget writers.

The revelation has damaged the integrity of state government and its budget process, lawmakers from both parties said at an Assembly budget subcommittee hearing.

"Many of us here today feel betrayed," said Assemblyman Bob Blumenfield, D–Woodland Hills, chairman of the Assembly Budget Committee, "It's our constitutional duty as state legislators to craft the state budget. And the credibility of this year's budget has been tarnished."

Officials from the Department of Finance and state controller's office told legislators they will install new cross-checks to verify that figures for 560-plus special funds are consistent across their different sets of books. Previously, state departments were largely responsible for keeping their own special fund accounting in order.

Finance Director Ana Matosantos testified that her department has found no other instances where departments purposely shielded funds in the way that parks officials apparently had for years.

In a quick audit released last week, the Finance Department found $268.5 million of accounting errors, both positive and negative, in a special fund universe that spent $33.4 billion in 2010-11. The errors netted $196.7 million more in state accounts than finance officials knew about in late 2011 as they crafted Gov. Jerry Brown's January budget.

Matosantos told the committee that $143 million of surplus money found in a beverage container recycling fund and a children's health account was discovered before the budget process ended in June.

Jason Sisney of the Legislative Analyst's Office testified that while the hidden parks money was "unacceptable," the Department of Finance uses different accounting than the controller's office and may have legitimate reasons for having separate figures. "Different reports are prepared at different times for different purposes," he said.
Matosantos said her department is still exploring whether any of the erroneous accounting means funds are actually available. Among the most likely is $28.8 million in the cash-strapped Restitution Fund, which reimburses crime victims for funeral expenses and health care. Sisney said, "I take them at their word for that."

But that wasn't enough to satisfy all lawmakers. Assemblywoman Diane Harkey, R-Dana Point, called for an independent review of special funds, noting that "we've lost public trust with this exposé."

"I would like to have just an outside audit that tell me these (numbers) reconcile," she said.

Assemblywoman Holly J. Mitchell, D-Los Angeles, was particularly interested in the Restitution Fund money because some constituents have told her they must wait several years to be reimbursed. "Short of you all having conducted some kind of forensic audit, I don't know that you are in a position to say without a doubt there's no other money out there," Mitchell told Matosantos. "I just don't know that you're in a position to do that."

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