



Office of the Auditor-Controller
COUNTY OF HUMBOLDT
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October 6, 2020

Honorable Gregory Elvine-Kreis, Assistant Presiding Judge
Humboldt County Superior Court
Delivered via e-mail

Dear Honorable Judge Elvine-Kreis,

It continues to be my distinct privilege to provide you this letter containing my official responses to the civil grand jury's report, "A GROWING CONCERN: Humboldt County Planning and Building Department and the Cannabis Industry", as requested by our civil grand jury pursuant to Penal Code section 933.05.

In compliance with subdivision (b) of Section 933, which provides the form and content in which I am to respond, I am providing the following responses to the grand jury's findings. Please note that responses were not requested for findings F4 and F5.

F-1: The handling of large sums of cash used by applicants to conduct transactions with the Planning and Building Department lacks transparency and creates the perception of potential for fraud. (R-2, 3, 4)

Response to F1: I agree with this finding. My agreement with this finding is based upon only the information that is received by the Office of the Auditor-Controller and our subsequent inability to provide the Grand Jury the specific information they were requesting. We receive a short listing of lump sum deposits grouped by funds and object codes for the day in which they are to be posted in the general ledger. We do not receive a cash register record or listing of payments received that correspond to any specific applicants or the dates that correspond to when the payments were collected.

F-2: Cash transactions jeopardize the safety of the public and department personnel due to a lack of robust security infrastructure. (R-2, 3, 4)

Response to F2: I agree with this finding.

F-3: Lack of transparent accounting for cannabis-related revenues (permit fees, Trust Fund monies, fines) makes it difficult to determine the economic impact of the legalization of the cannabis industry on the county. (R-2, 3)

Response to F3: I agree with this finding.

In compliance with subdivision (b) of Section 933.05, which provides the form and content in which I am to respond, I am providing the following responses to the grand jury's recommendations. Please note that responses were not requested for recommendation R1.

R-2: The Humboldt County Civil Grand Jury recommends that the Humboldt County Planning and Building Department should have an audit conducted by an auditor outside the department of all incoming receipts collected for each fiscal year. This should be presented to the Board of Supervisors and made public. This should be done starting fiscal year 2020-2021. (F-1, 2, 3)

The recommendation requires further analysis. The Office of the Auditor-Controller is authorized to perform audits as described in your recommendation. However, it lacks the staffing capacity to do so. Should the

Board of Supervisors authorize the allocation of additional accounting/auditing staff in the Auditor-Controller department, then an audit of incoming receipts can certainly be performed for all departments on a regular rotating schedule with priority going to the Planning & Building department. Given the uncertainty of future Board decisions combined with the uncertainty of available funding as a result of the coronavirus pandemic, I am unable to provide a commitment of when this audit can take place.

Hypothetically speaking, if the Board were to allocate additional accounting/auditing positions to the Auditor-Controller department, then an audit would be performed as follows:

- A-C staff would perform a surprise visit to the Planning & Building department and observe the cash handling process. A-C staff would take detailed notes of how cash is received, collected, stored, and dispensed. An observation of the daily cash reconciliation process would take place during this surprise visit.
- A-C staff would perform a scheduled visit to the Planning & Building department and observe the cash handling process a second time taking the same manner of detailed notes. This visit would include inquiries of Planning & Building staff with regard to their perspective of their cash handling process as well as another observation of the daily cash reconciliation process.
- A-C staff would perform audit testing of receipts, the corresponding applicants' accounts, and the ultimate depositing of the funds. This step would take the longest time to complete.
- Upon completion of the above audit steps, the A-C department would present its findings to the Board and the Planning & Building department along with its recommendations and/or commendations.
- The audit itself would take approximately 2 – 3 weeks to complete.

R-3: The Humboldt County Civil Grand Jury recommends that the Humboldt County Planning and Building Department have a dedicated accountant on staff to organize and maintain current financial records. This should be done by January 1, 2021. (F-1, 2, 3)

I agree that this recommendation is necessary and that having an accountant on staff is critical to the financial operations of any department. However, my office does not have the authority to implement this recommendation on behalf of another department. The implementation of this recommendation is wholly dependent upon the Planning & Building department's willingness to pursue implementation and the Board of Supervisors' willingness to approve it. The Auditor-Controller department would be happy to advocate on behalf of the Planning & Building department, if requested.

R-4: The Humboldt County Civil Grand Jury recommends that the Humboldt County Planning and Building Department direct customers paying in cash to remit said payments directly through the Treasurer-Tax Collector's office. Payment receipts will be accessible to the Humboldt County Planning and Building Department. This should be in effect by January 1, 2021. (F-1, 2)

Similarly to recommendation R3, my office does not have the authority to implement this recommendation on behalf of another department. I will note that directing customers to pay in cash to an office across town after visiting one office to apply may be a hardship to some limited-mobility applicants. As an alternative, I offer that the Planning & Building department may be able to enhance its security measures and accounting methodologies to be able to continue accepting cash payments. They might be able to procure a payment kiosk that would provide the same securities as an ATM while also providing modern options to record payments to specific accounts. The department might also wish to pursue the cash transfer services of armored carriers much like the Treasurer department does. The Auditor-Controller would be happy to assist the Planning & Building department, if needed.

Thank you for the opportunity to respond and thank you very much for the efforts and diligence of the Humboldt County Civil Grand Jury.

Sincerely and respectfully,

Karen Paz Domínguez
Humboldt County Auditor-Controller

