

RESPONSE TO GRAND JURY REPORT

Report Title: A Growing Concern: Humboldt County Planning and Building Department and The Cannabis Industry

Report Date: 7/2/20

Response by: Humboldt County Board of Supervisors

FINDINGS

1. The county agrees with the findings numbered _____
2. The county partially agrees with the findings numbered F5.
3. The county disagrees with the findings F1, F2, F3, and F4.

RECOMMENDATIONS

1. Recommendation numbered R2 has been implemented.
2. Recommendation numbered R1 will be implemented.
3. Recommendation numbered _____ is in the process of being implemented.
4. Recommendations numbered _____ require analysis.
5. Recommendation numbered R3, R4 will not be implemented.

Date: _____ Signed: _____

Number of pages attached: _____



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COUNTY ADMINISTRATIVE OFFICE
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INTEROFFICE MEMORANDUM

TO: BOARD OF SUPERVISORS
FROM: AMY S. NILSEN, COUNTY ADMINISTRATIVE OFFICER
SUBJECT: RESPONSE TO 2019-2020 GRAND JURY REPORT "A GROWING CONCERN:
HUMBOLDT COUNTY PLANNING AND BUILDING DEPARTMENT AND THE
CANNABIS INDUSTRY"
DATE: 8/ 25 /2020

In the Grand Jury Report, A Growing Concern: Humboldt County Planning and Building Department and The Cannabis Industry, the Grand Jury has requested that your Board respond to Findings 1 through 5 and Recommendations 1 through 4. I am proposing the following response as detailed below.

FINDINGS

Finding 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: Disagree

The Planning & Building Department is used to handling cash, and cash handling is not unique to cannabis or the department. There are many checks and balances, and systems in place to ensure accountability and accuracy regarding cash handling within the Planning & Building Department. The practices are readily apparent to the public in their transactions with the department. In addition, the Board on Aug. 18, 2020 adopted a Cash Handling Policy that further protects public funds.

Finding 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: Disagree

The Planning & Building Department contracted for armed security service in 2016 when it had an influx of cash deposits, but the number of transactions and average daily cash deposit amounts have decreased significantly since that time. Other security measures are being considered. The Grand Jury report stating inaccurately that the Planning & Building Department stores large amounts of cash and that staff often transport large volumes of cash to the bank creates a distorted picture that could put staff in real danger. Due to what must have been an unintentional action to publish the department's security protocols, Planning & Building changed its security procedures regarding cash deposits.

Finding 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: Disagree

Cannabis revenues, which are accounted for by the county in a transparent and legal manner, received by the county have very little to do with determining the economic impact of the legalization of cannabis on Humboldt County. Cannabis revenues determine the amount of funding the county receives as a result of services provided or ordinances and laws passed at the local and state levels.

Finding 4: *The cumbersome permitting process defeats the purpose of legalization. It creates the incentive for cultivators to remain in the illicit market.*

Response: Disagree

Humboldt County's permitting process and regulations are among the most highly regarded in the state. The county's permitting staff are incredibly knowledgeable, skilled, talented, helpful and fully realize how important the cannabis industry is to the county. As detailed in Planning & Building's response, Humboldt County submitted the second-most applications to the state for licensure, and is No. 1 in state licenses issued by a large margin, in large part due to the hard work of staff implementing local regulations that help position applicants to be successful at the state licensing level.

Finding 5: *The Planning and Building Department website is not user-friendly. Applicants are disadvantaged by lack of access to clear instructions and guides. Some information also appears to be out of date. (R-1)*

Response: Partially agree

The Planning & Building Department does not have its own website. The county has a website for all county departments, and Planning & Building maintains certain pages within that website. Some of the information on the Planning & Building Department pages needs to be updated.

RECOMMENDATIONS

Recommendation 1: *The Humboldt County Planning and Building Department website should be updated to make relevant information regarding permit applications for cannabis cultivation easily searchable. Information presented on the website should be regularly updated to reflect any change in relevant regulations. This should be addressed by September 1, 2020. (F-5)*

Response: This recommendation will be partially implemented

The Planning & Building Department does not have its own website. The county has a website for all county departments, and Planning & Building maintains certain pages within that website. Some of the information on the Planning & Building Department pages will be updated.

Recommendation 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)*

Response: This recommendation has already been implemented

The county's financial records are audited each year as required by law by an external auditor. Nothing in this report warrants further action related to the Planning & Building Department's financial records.

Recommendation 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)*

Response: This recommendation will not be implemented

The Planning & Building Department has sufficiently accounted for its financial activity for many years with existing fiscal staff.

Recommendation 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)*

Response: This recommendation will not be implemented

The Planning & Building Department has appropriate measures in place to ensure that cash is handled in a manner that protects both the employees and the public, while also maintaining transparency. Responsibilities around cash handling are adequately separated to minimize the risk of fraud, and the department has not been accused or investigated for fraud related to cash deposits. In addition, the county aims to provide efficient and user-friendly customer service (the same public counter at Planning & Building is used to take payments for the Public Works – Land Use Division, which occupies the same facility), and forcing members of the public to travel to a different facility to pay for doing business with the county would work against that objective, not to mention the increased costs that would come from new software purchases and reconfigurations and the likely addition of staff that would be needed to handle the increased workload.
