January 21, 2020

Honorable Rudy Salas
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95811

Dear Assemblymember Salas,

I respectfully request that the Joint Legislative Audit Committee approve an audit to evaluate the contracting practices, cannabis licensing procedures, and related issues of the contracting in the Cities of Huntington Park and Commerce. The purpose of this audit is to ensure that the cities’ obligations to the residents they serve are being fulfilled and that public funds are being managed efficiently, especially as cities embark on licensure of the newly emerging commercial cannabis industry.

Many of the cities in Southeast Los Angeles County contract for a variety of services. However, it is well-documented that many of these cities have not had the taxpayers’ best interests in mind when awarding contracts for services. In fact, the contracting issues are so problematic that the region is often referred to as the “corridor of corruption.” Much of why I am elected to this office is based on my fight to ensure accountability of our taxpayers’ dollars both in Sacramento and in my local region. During my tenure in office, a number of southeast cities and local governments have made headlines over their contracting and cannabis practices. The cities of Commerce, Huntington Park, Maywood, Montebello, Cudahy, Vernon and the Central Basin Municipal Water Districts have each been audited or identified by the State Auditor as high-risk municipalities that pose significant financial and organizational risks; or have made headlines for questionable practices. With the local governments now regulating the cannabis industry, we need to be sure their contracting and licensing procedures are adequate.

The State of California legalized the use of recreational cannabis via the Adult Use of Marijuana Act, Proposition 64 in 2016. The Medicinal and Adult Use Cannabis Regulation and Safety Act in 2017 established a comprehensive licensing and regulatory framework for medical and adult use commercial cannabis activity. There were also regulations developed at both the state and local (City and County) level to help establish and regulate the cannabis industry in California.

Currently, an individual or business that wishes to obtain a cannabis license in California must gain a state license and local authorization. The state and/or local authorization processes ensure that the location of the facility is within locally designated “green zones”, mitigation for other affected businesses or agencies are identified, and the proper licenses are obtained prior to operation of the business.

There are over 600 retail cannabis stores that have received local and state cannabis licenses in the state. Given recent media highlighting contracting concerns in some of the Southeast county contract cities, I believe an audit is necessary. The best avenue for an audit would be through the California State Auditor to ensure an impartial and thorough review process, so the community can once again have confidence in the contracting and licensing processes, which have come under scrutiny as evidenced by recent news reports.

To the extent possible, I respectfully request the State Auditor perform an audit of the Cities of Huntington Park and Commerce in order to identify policies, practices, and decisions that will answer the following questions:

Printed on Recycled Paper
Cannabis Licensing

1. Do the cities’ policies and practices for seeking, awarding, and monitoring cannabis business permits and licenses comply with state and local laws and regulations?

2. Are policies and practices in place to ensure fairness and prevent conflicts of interest, abuse and favoritism? Is the level of transparency throughout the process appropriate?

3. What cannabis business permits and licensing procedures are in place, and have the cities followed these procedures? Are they clearly presented and accessible to potential licensees and the public?

4. How do the cities oversee licensees to ensure compliance with state and local laws and regulations? Is this oversight sufficient or do opportunities exist for improvements?

Contracting

5. What public contracting procedures do the cities have in place, and do they follow these procedures? Are the current contracting laws and policies in use aligned with city, county, and state law?

6. Are contracting policies and practices in place to ensure fairness and prevent conflicts of interest, abuse and favoritism?

7. Are the cities’ contacting policies and practices appropriate and in the best interest of residents?

8. How do the cities’ management provide oversight to contractors to ensure they meet specified contract terms and avoid conflicts of interest? Is this oversight sufficient?

9. How do councilmembers provide oversight of the cities’ executive staff and contracted management to ensure they meet terms of their contacts and avoid conflicts of interest? Is this oversight sufficient?

Thank you for your consideration. If you need any further information, please contact my staff member, Tiffany Ryan at 916-319-2058. I look forward to talking with you about this request.

Sincerely,

Cristina Garcia
Assemblymember, 58th District