BOARD OF STATE AND COMMUNITY CORRECTIONS

Final Audit Report

PROPOSITION 64 CANNABIS TAX FUNDS PROGRAM

July 1, 2020, through June 30, 2021

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

June 2026

S23-CAN-0001

STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

June 30, 2026

Ms. Linda Penner, Chair
Mr. Aaron R. Maguire, Executive Director
Board of State and Community Corrections
2590 Venture Oaks Way, Suite 200
Sacramento, CA 95833

Dear Ms. Penner and Mr. Maguire:

The State Controller's Office audited the Board of State and Community Corrections' (BSCC) Proposition 64 California Cannabis Tax Funds (Cannabis Tax Funds) Program to determine whether the BSCC accounted for and expended its Cannabis Tax Funds in compliance with Revenue and Taxation Code section 34019 and applicable statutes, rules, regulations, and policies for the period of July 1, 2020, through June 30, 2021.

Our audit found that the BSCC materially accounted for and expended its Cannabis Tax Funds in compliance with Revenue and Taxation Code section 34019 and applicable statutes, rules, regulations, and policies, except for the internal control weaknesses described in the Finding and Recommendation section of this report.

If you have any questions regarding this report, please contact Ella Finau, Chief, Special Audits Bureau, by telephone at 916-322-7699 or email at efinau@sco.ca.gov. Thank you.

Sincerely,

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

Copy: Le-Mai Lyons, General Counsel
Board of State and Community Corrections
Colleen Curtin, Deputy Director
Corrections Planning and Grant Programs
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SUMMARY

The State Controller's Office (SCO) audited the Board of State and Community Corrections' (BSCC) Proposition 64 California Cannabis Tax Funds (Cannabis Tax Funds) Program to determine whether the BSCC accounted for and expended its Cannabis Tax Funds in compliance with Revenue and Taxation Code (RTC) section 34019 and applicable statutes, rules, regulations, and policies for the period of July 1, 2020, through June 30, 2021.

Based on the procedures performed and evidence gathered, our audit found that the BSCC materially accounted for and expended its Cannabis Tax Funds in compliance with RTC section 34019 and applicable statutes, rules, regulations, and policies, except for the internal control weaknesses described in the Finding and Recommendation section of this report.

BACKGROUND

In November 2016, California voters approved Proposition 64, the "Control, Regulate and Tax Adult Use of Marijuana Act," which was enacted as Senate Bill 94 (Statues of 2017, Chapter 27). SB 94 added and amended sections of the Health and Safety Code, Business and Professions Code, Revenue and Taxation Code, and other California laws.

Health and Safety Code sections 11357 through 11362.9 allow adults 21 years of age and over to grow, possess, and use cannabis for recreational purposes; reduce criminal penalties for specified cannabis-related offenses for adults and juveniles; and authorize resentencing or dismissal and sealing of prior, eligible cannabis-related convictions. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (found in Business and Professions Code sections 26000 through 26002) establishes the framework for controlling and regulating commercial cannabis businesses. The Cannabis Tax Law (codified in RTC sections 34010 through 34021.5) imposes taxes on the cultivation of cannabis, and on the retail sale of cannabis and cannabis products; and it continuously appropriates the Cannabis Tax Funds for specified purposes according to a specified schedule.

The Department of Finance estimates the cannabis tax revenues to be received pursuant to RTC sections 34011, 34011.2, and 34012. The estimates are provided to the SCO no later than June 15 of each year. In its first year of operation, revenues of $56 million were recorded in the Cannabis Tax Funds; for the fiscal year ended June 30, 2024, revenues of $635 million were recorded in the Cannabis Tax Funds.

The SCO apportions the cannabis tax revenues to several different state agencies, each of which have varied administrative roles in the allocation and expenditure of the funds. RTC section 34019 describes how the cannabis tax revenues must be allocated to various state organizations, the program purposes for the funds, and how the funds may be expended by recipients and grantees.

Proceeds from the tax revenues are intended for drug research, treatment, and enforcement; health and safety grants for youth programs; and preventing environmental damages from illegal cannabis production. The state agency recipients of the tax proceeds will fulfill the intended purposes of Proposition 64 through the following programs:

- Education to prevent substance use disorders and harm from substance use;
- Cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation and related activities;
- Stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cultivation, production, sale and use of cannabis, and cannabis products on public lands;
- Investigation, enforcement, and prosecution of illegal cultivation, production, sale, and use of cannabis or cannabis products on public lands;
- Reduction of adverse impacts and use on fish and wildlife habitats throughout the state;
- Training programs for detecting, testing, and enforcing laws against driving under the influence of alcohol and other drugs, including driving under the influence of cannabis; and

- Education, prevention, and enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis.

The BSCC received $45.5 million in fiscal year 2020-21 to provide grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety. The BSCC Cannabis Tax Funds Program provides cannabis prevention and intervention activities for juveniles; cannabis education curriculum, including media campaigns highlighting the public health risks of using cannabis products; environmental remediation; and compliance/enforcement work.

AUDIT AUTHORITY

We conducted this audit in accordance with RTC section 34020, which states that the SCO shall periodically audit the Cannabis Tax Funds Program to ensure that those funds are accounted for and expended in a manner consistent with this part and as otherwise required by law. In addition, Government Code section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether the BSCC accounted for and expended its Cannabis Tax Funds in compliance with RTC section 34019 and applicable statutes, rules, regulations, and policies. The audit period was July 1, 2020, through June 30, 2021.

To achieve our objective, we performed the following procedures:

- We gained an understanding of the Cannabis Tax Funds Program purpose and requirements by reviewing RTC section 34019, applicable laws and regulations, and the Manual of State Funds.

- We assessed whether internal controls related to Cannabis Tax Funds were adequately designed by interviewing BSCC employees; reviewing written policies, procedures, and guidelines for fund usage; completing an internal control questionnaire and performing a limited walk-through of the key internal controls related to our audit objective. Internal control procedures include those performed by staff to approve expenditures, and to monitor and record disbursements and expenditures in the accounting system.

- We conducted tests of key controls identified to determine whether the controls were implemented and functioning as intended.

- We assessed the reliability of computer-processed data by tracing transactions through the system to source documents to verify completeness and accuracy of recorded data. We determined that the data was sufficiently reliable for the purposes of this report.

- We reviewed the appropriation amounts and the documentation supporting the amount of cannabis tax appropriations disbursed to the BSCC for the Cannabis Tax Funds Program to verify that Cannabis Tax Funds were disbursed as required by RTC section 34019(a) through (f).

- We reviewed the BSCC's accruals and adjustments for validity and eligibility.

- We reviewed the BSCC's accounting records for appropriations, disbursements, expenditures, and fund balances to ensure that they are properly accounted, adequately supported, and accurately reported.

- We selected representative, non-statistical samples using judgmental methods to verify that expenditures were in accordance with Cannabis Tax Funds Program purposes and complied with applicable statutes, rules, regulations, and policies. For the selected samples, errors found were not projected to the intended (total) population.

  - Administrative – We tested $146,409 (50.86 percent) of $287,874.

  - Local assistance – We tested $125,337 (42.11 percent) of $297,642.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

CONCLUSION

Based on the procedures performed and evidence gathered, our audit found that the BSCC materially accounted for and expended Cannabis Tax Fund revenues, disbursed for the period of July 1, 2020, through June 30, 2021, in a manner consistent with RTC section 34019 and as otherwise prescribed by governing statutes, rules, regulations, and policies, except for the internal control weaknesses described in the Finding and Recommendation section of this report.

We identified unallowed costs of $28,999. The costs were unallowable because Monterey County overpaid salary and benefits and billed for costs incurred prior to the start of the grant agreement. In addition, Santa Cruz County could not substantiate that the costs it incurred were for Cannabis Tax Funds Program purposes.

We identified $12,869 in questioned costs; the costs were questioned because El Dorado County did not comply with the grant requirements. In addition, we could not determine Monterey County's salary and benefits costs. We also found that the BSCC had inadequate documentation to support or verify that Santa Cruz County's costs were allocable only for Cannabis Tax Funds Program purposes.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

We have not previously conducted an audit of the BSCC's Cannabis Tax Funds Program.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on May 15, 2026. The BSCC's representative responded by letter dated May 22, 2026. The BSCC agreed with the audit results except for the finding quantifications in the Conclusion section of the report; these have been updated for this final audit report. This final audit report includes the BSCC's response as an attachment.

RESTRICTED USE

This report is solely for the information and use of the BSCC and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

June 30, 2026

SCHEDULE—CALIFORNIA CANNABIS TAX FUND – TRANSFERS IN, EXPENDITURES, AND CHANGES IN ACCOUNT BALANCE

July 1, 2020, through June 30, 2021

Fund Activity	June 30, 2021
Transfers In	
From Cannabis Cultivation and Sales Taxes	
To BSCC for public health and safety	$45,464,072
Total Transfers In	45,464,072
Less: Expenditures	
For Public Health and Safety Grants to Local Governments	
Law Enforcement	0
Fire protection	0
Other local programs	585,516
Local governments	0
Total expenditures	585,516
Excess or deficiency of transfers in over expenditures	44,878,556
Add: Beginning account balance	27,510,729
Ending account balance	**$72,389,285**

FINDING AND RECOMMENDATION

Finding—Inadequate Monitoring and Oversight of Grantees, and Insufficient Supporting Documentation for Invoices

The BSCC did not review supporting documentation for invoice costs prior to payment. During our testing, we found that the grantees were unable to provide sufficient documentation to substantiate Cannabis Tax Funds Program costs.

We judgmentally selected three of 10 grantees and all six invoices for the audit period. We tested all invoice transactions, totaling $125,337 (42.11 percent) of $297,642. We noted that El Dorado County did not submit a budget modification to support the positions and number of personnel participating in the Deputy Sheriff hiring process.

El Dorado County

Per the grant agreement with El Dorado County, the Cannabis Tax Funds Program funding was to be used to hire one full-time equivalent Deputy Sheriff. In our review of Cannabis Tax Funds Program expenditures, we found that Invoice Number 2 included salaries and benefits totaling $21,863, which was allocated among seven different law enforcement staff members: one Deputy Sheriff and six additional staff members. When we inquired about the number of employees whose salaries had been charged to the Cannabis Tax Funds Program, El Dorado County's representative explained that Invoice Number 2 included costs for time spent by six existing employees who were involved in the hiring process for the Deputy Sheriff. The representative informed us that the only limitation in the grant agreement was the budget amount of $666,000 for salaries and benefits.

Although we understand that the hiring process can take time and resources, open-ended grant language may permit unauthorized and/or excessive charges. A budget modification would have provided the means to limit possible excess charges, as the grant language included few limitations in its unmodified form. In this case, it would have been appropriate for El Dorado County to submit a budget modification to the BSCC, and then ensure that all six additional law enforcement staff members included in the Invoice Number 2 charges were contributing to the purposes and objectives of the Cannabis Tax Funds Program.

The grant agreement required that hiring be completed within 90 days of the grant's approval. Based on the elapsed period between the reimbursed invoices, it appears that the Deputy Sheriff was not hired before this 90-day period ended.

According to the BSCC's *Grant Administration Guide*, project staff members must be hired, and the project must be operational, within 90 days of the grant agreement approval date. El Dorado County did not submit a statement to the BSCC explaining its delay in hiring the necessary staff as required or submit a budget modification for the six additional law enforcement staff members whose salaries and benefits were charged to the Cannabis Tax Funds Program. Therefore, we questioned the additional six law enforcement staff members' salary and benefit costs charged to the Cannabis Tax Funds Program.

The following table shows the salary and benefit costs for the additional positions that were charged to the Cannabis Tax Funds Program, per Invoice Number 2:

Job Title	Salary and Benefit Costs
Sheriff's Detective Sergeant	$224.83
Sheriff's Detective Number 1	364.20
Sheriff's Detective Number 2	259.20
Sheriff's Detective Number 3	1,962.50
Sheriff's Detective Number 4	181.89
Deputy Sheriff Number 2	96.98
Total	**$3,089.60**

As these costs were not included in the grant agreement budget, we questioned $3,089.60 in El Dorado County salary and benefit costs due to the BSCC's inadequate process for grantee monitoring and invoice review.

Monterey County

We identified the following deficiencies in Monterey County's supporting documentation:

- Timesheets did not identify approver or date.
- Salary and related costs of $424.23 for the Health Department Program Coordinator (Coordinator) appear to be incorrectly paid.
- For Invoice Number 1, we questioned $4,737.51 in combined salary-related charges and indirect costs for the Coordinator ($1,135.43) and Chronic Disease Specialist (Specialist; $3,602.08) because the hourly rates and benefit percentages could not be substantiated.
- For Invoice Number 2, we identified apparent overcharges of $2,153.20 in combined invoice and indirect costs for the Coordinator ($456.21) and the Specialist ($1,696.99) because the hourly rates and benefit percentages did not correspond to Monterey County's actual rates per its grant agreement.

Unallowable Costs Incurred Prior to the Grant Agreement Start Date

Costs incurred prior to the grant agreement start date (October 1, 2020) should not have been reimbursed. Monterey County charged four hours of the Coordinator's time on September 30, 2020. The costs for four hours should be disallowed, including those for salaries, benefits, and indirect costs.

Hourly Rate	Number of Hours	Total Salaries Disallowed	Benefits Percentage per County's Payroll Report	Dollar Amount of Benefits	Salaries and Benefits Disallowed	Indirect Cost Rate	Total Indirect Costs Disallowed
$67.59	4.00	$270.36	42.65%	$115.31	$385.67	10%	$38.56

A total of $424.23 (comprised of $270.36 in salaries, $115.31 in benefits, and $38.56 in indirect costs) should be disallowed and returned to the BSCC. The costs are based on a $67.59 hourly rate, a 42.65 percent benefits percentage, and a 10 percent indirect cost rate.

Inadequate Support to Substantiate Cannabis Tax Funds Program Costs

We determined that Monterey County did not provide sufficient documentation to support the personnel costs claimed for reimbursement. Specifically, the invoice information provided was incomplete and inconsistent with the payroll amounts and the rates established in the grant agreement.

Invoice Number 1

For Invoice Number 1, Monterey County did not include hourly rates or benefit percentages for the Coordinator or Specialist positions, which prevented direct verification of the invoiced amounts. Although we used Monterey County's payroll report to derive estimated hourly rates and benefit percentages, the limited information provided did not allow us to confirm the accuracy of the claimed costs. Furthermore, the estimated hourly rates and benefit percentages that we derived differed from those used in Invoice Number 2 and from the rates specified in the grant agreement, which establishes hourly rates of $52.52 for the Coordinator and $41.14 for the Specialist. Monterey County did not provide an explanation for these discrepancies.

Using the hourly rates from the grant agreement and the benefit percentages from the payroll report, we recalculated allowable costs and identified an overcharge of $4,737.51 for Invoice Number 1, including related indirect costs charged at a rate of 10 percent.

The following table summarizes our calculation of the questioned costs for Invoice Number 1.

Position	Invoiced Costs	Allowable Costs (Grant Rates)	Difference
Coordinator	$4,628.36	$3,596.15	$1,032.21
Specialist	11,923.39	8,648.77	3,274.62
Subtotal	16,551.75	12,244.92	4,306.83
Add: Indirect costs (10%)			$430.68
Total questioned costs			**$4,737.51**

Immaterial differences in calculations in the preceding table are due to rounding.

Invoice Number 2

For Invoice Number 2, Monterey County reported hourly rates and benefit percentages; however, these rates were inconsistent with the payroll report and the grant agreement. The invoiced hourly rates of $55.04 for the Coordinator and $42.508 for the Specialist exceeded the rates specified in the grant agreement and differed from those reflected in the payroll report. Monterey County did not provide justification for these differences. Furthermore, based on the timesheets provided with this invoice, we calculated that the Specialist worked 220.3 hours and the Coordinator worked 49 hours, not the 237.58 and 51.62 hours, respectively, stated on the invoice.

Based on a comparison of the invoiced amounts to those calculated using the grant agreement hourly rates, we identified apparent overcharges of $414.73 for the Coordinator and $1,542.72 for the Specialist, totaling $1,957.45 in unsupported salary and benefit costs. Including $195.74 in related indirect costs, we questioned a total of $2,153.20 for Invoice Number 2.

The following table summarizes our calculation of the questioned costs for Invoice Number 2:

Position	Invoiced Costs	Allowable Costs (Grant Rates)	Difference
Coordinator	$4,401.31	$3,986.58	$414.73
Specialist	15,042.27	13,499.55	1,542.72
Subtotal	19,443.58	17,486.13	1,957.45
Add: Indirect costs (10%)			195.75
Total questioned costs			**$2,153.20**

Immaterial differences in calculations in the preceding table are due to rounding.

For the two invoices, we questioned a total of $6,890.71 in unsupported costs that Monterey County may be required to return to the BSCC. These questioned costs include $6,264.28 in unsupported salary and benefit costs and $626.43 in related indirect costs.

Santa Cruz County

We questioned Santa Cruz County's non-governmental organization (NGO) costs charged to the Cannabis Tax Funds Program due to inadequate documentation to support the costs or allow us to verify that the costs were incurred only for Cannabis Tax Funds Program purposes.

Cost Category	Amount Questioned
Maintenance and repairs	$78.00
Facility costs	333.34
Consultant/contract expense	616.20
Utilities	513.45
Telecommunications	250.00
Equipment	1,520.59
Total	**$3,311.58**

We questioned $3,311.58 of Santa Cruz County's NGO costs, as Santa Cruz County could not demonstrate how the costs were related to the Cannabis Tax Funds Program, or how the costs were calculated and allocated to the Cannabis Tax Funds Program.

Unallowable Costs

Santa Cruz County could not provide any documentation to support the following NGO costs charged to the Cannabis Tax Funds Program:

- For Invoice Number 1, the NGO submitted an approved cost summary totaling $2,136; however, there were no receipts or documentation to support the costs.
  - Supplies – $536
  - Duplicating – $300
  - Audit – $800
  - Maintenance and repairs – $500

- For Invoice Number 2, the NGO did not support costs totaling $26,439.44 with documentation such as invoices, receipts, and/or timesheets.
  - Salaries and benefits – $23,410.89
  - Indirect costs – $1,879.10
  - Supplies – $1,140.49
  - Late fees – $8.96

NGO costs totaling $28,575.44 should be disallowed and returned to the BSCC, as Santa Cruz County could not substantiate the Cannabis Tax Funds Program expenditures.

The BSCC confirmed that the staff members who previously worked on this grant are no longer employed by Santa Cruz County, and new staff members working on the grant are unable to locate any records and/or supporting documentation for the unallowable costs.

Criteria

Government Code section 13403(b) states, in part:

> The elements of a satisfactory system of internal control shall include, but are not limited to, the following . . .
>
> (3) A system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements. . . .
>
> (6) An effective system of internal review. . . .

Item 1.F. of Exhibit B, “Budget Detail and Payment Provisions,” to the BSCC grant agreement states:

> Upon the BSCC’s request, supporting documentation must be submitted for project expenditures. Grantees are required to maintain supporting documentation for all

> expenditures on the project site for the life of the grant and make it readily available for review during BSCC site visits.

Item 4.A. of Exhibit B, “Budget Detail and Payment Provisions,” to the BSCC grant agreement states, in part:

> . . . The provisions of the BSCC *Grant Administration Guide* are incorporated by reference into this agreement and Grantee shall be responsible for adhering to the requirements set forth therein.

Item 2., “Recordkeeping,” of Section 4.N. in the 2020 BSCC *Grant Administration Guide* states, in part:

> Grantees agree to maintain and provide access to records for purposes of examination for a period of three (3) years from the end of the Grant Agreement, unless a longer period of record retention is stipulated. This also refers to any subcontractor(s) documentation. . . .

Section 3.B., “Project-Specific Job Descriptions,” in the 2020 BSCC *Grant Administration Guide* states, in part:

> The Project must have on file written project-specific job descriptions (as opposed to job specifications) for all positions funded by the grant project. The project-specific job descriptions shall reflect detailed grant-related duties relative to the activities, goals and objectives of the grant-funded program. The project-specific job descriptions must not be the standard job classification description for similarly titled positions within the Grantee’s agency. . . .

Section 3.C., “Personnel Policies,” in the 2020 BSCC *Grant Administration Guide* states, in part:

> . . . Project staff must be hired and the project operational within 90 days of the approval date of the Grant Agreement. Otherwise, the Grantee must submit a statement to the

> BSCC explaining the implementation delay. . . . Project staff may be added later to the grant budget if a Grantee submits project modification and it is approved by the BSCC. . . .

Section 7.I., "Contract Provisions," in the 2020 BSCC *Grant Administration Guide* states, in part, that "purchase orders, invoices, etc., must support operating expense claims. . . ."

Section 10.A., "Execution of Grant Agreement," in the 2020 BSCC *Grant Administration Guide* states, in part:

> . . . When a fully executed contract is in place, Grantees may begin submitting invoices (BSCC Form 201) for actual costs incurred during the grant cycle. Costs incurred prior to the start date of the grant cycle (as listed on the face page of the contract) cannot be charged against the grant. . . .

Section 14.C., "Modifications to the Grant Budget," in the 2020 BSCC *Grant Administration Guide* states, in part:

> A modification to the grant budget is any change to the approved budget that . . .
>
> - Modifies narrative details within a budget line-item or category but does not change any budgeted dollar amounts. . . .
>
> **1. Prior Approval**
>
> All Modification Requests require prior approval from the designated BSCC Field Representative.
>
> If prior approval is not obtained, the grant reimbursement may be reduced by the amount of the unauthorized expenditure(s). Unauthorized expenditures may also result in audit issues.
>
> **2. Modification Request Procedures**
>
> Modification requests must be submitted on a Modification Request (BSCC Form 223.1) and approved before related expenditures are reported (or

> ordered, contracted for, etc.) on a Financial Invoice (BSCC Form 201). Revised budget narratives may be required for approval. . . .

Section 16.A., "General," in the 2020 BSCC *Grant Administration Guide* states that "Audits are conducted to determine the fiscal integrity of financial transactions and reports, as well as compliance with laws, regulations, and administrative requirements."

Section 17.G.2, "Components of a Fiscal Desk Review," in the 2020 BSCC *Grant Administration Guide* states, in part:

> a) **Notification**
>
> Grantees will be notified by CPGP [Corrections Planning and Grant Program Division] Program Analyst when they have been selected to receive a fiscal desk review. The notification will include forms and instructions regarding the documentation the Grantee must submit to substantiate the amounts claimed on a specified invoice, e.g., worksheets, invoices, receipts, and other related documents.
>
> b) **Analysis**
>
> Submitted documentation will be analyzed by program and fiscal staff to assess compliance with grant program requirements and other applicable standards. . . .

Section 17.G.4, "Questioned or Disallowed Costs Identified in a Fiscal Desk Review," in the 2020 BSCC *Grant Administration Guide* states:

> When costs are questioned or recommended for disallowance, and the Grantee cannot support the costs claimed through original source documents and general ledger entries, BSCC will provide an opportunity for the Grantee to substantiate the expenditure.
>
> In cases where the expenditure cannot be substantiated, the BSCC will invoice for the disallowances and the Grantee will be required to return the funds. While the matter is under review, the BSCC may place a hold on grant funds.

Recommendation

We recommend that the BSCC:

- Establish and implement more effective grantee oversight and invoice review policies and procedures to ensure that program costs are allowable, directly related, and adequately supported to comply with program requirements prior to payment; and
- Review supporting documentation, determine the proper amounts that should have been paid, and recover improper payments.

BSCC's Response

> We do not dispute the findings in the report and will take steps to implement the recommendations contained in the report.
>
> In addition, we wanted to note the apparent discrepancies in the report related to the total amounts of disallowed and questioned costs. . . .

SCO Comment

The draft report's Conclusion section inadvertently included amounts for disallowed and questioned costs that had not been updated. These amounts have been corrected in this final report.

ATTACHMENT—BOARD OF STATE AND COMMUNITY CORRECTIONS' RESPONSE TO DRAFT AUDIT REPORT

BSCC CALIFORNIA BOARD OF STATE AND COMMUNITY CORRECTIONS

May 22, 2026

Ella Finau, Chief
Special Audits Bureau, Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250

Dear Ms. Finau,

The Board of State and Community Corrections (BSCC) is in receipt of the draft report generated from your audit of the Proposition 64 California Cannabis Tax Funds Program for the period of July 1, 2020, through June 30, 2021.

We appreciate the care and attention to detail your team put into this audit. BSCC works constantly to improve its grant oversight and monitoring processes to ensure the appropriate use of grant funds by local jurisdictions. We do not dispute the findings in the report and will take steps to implement the recommendations contained in the report.

In addition, we wanted to note the apparent discrepancies in the report related to the total amounts of disallowed and questioned costs. In the Conclusion section on page 5, the report states, "We identified unallowed costs of **$30,449**…[and]…**$24,608** in questioned costs, which includes $424 in unallowed costs…"

When we totaled the disallowed and questioned costs listed in the body of the report corresponding to each county (and subtracted the $424 that was double counted), our totals show $28,999 in unallowed costs and $12,869 in questioned costs (see table below). We understand that this discrepancy will be corrected or addressed in the final report.

County	Disallowed Costs	Questioned Costs	Found in the Draft Report on…
El Dorado	N/A	$3,090	Page 9
Monterey	$424	$6,891	Pages 10-12
Santa Cruz	$28,575	$3,312	Pages 13-14
Totals	**$28,999**	$13,293	
		-$424	
		$12,869	

Ms. Ella Finau
May 22, 2026
Page 2

Thank you to you and your team for assisting BSCC in its efforts to be responsible and effective administrators of the Proposition 64 California Cannabis Tax Funds.

Sincerely,

Aaron R. Maguire Digitally signed by Aaron R. Maguire
Date: 2026.05.22 15:57:32 -07'00'

AARON R. MAGUIRE
Executive Director

cc: Le-Mai Lyons, Staff Counsel, BSCC
Colleen Curtin, Deputy Director, BSCC
Tony Knapp, Field Representative, BSCC
Juanita Reynaga, Senior Management Auditor, BSCC