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***** DRAFT VERSION ONLY – FINAL VERSION EXPECTED 09/20/24 *****

DRAFT REVISION: September 10, 2024

Honorable Judge Darren McElfresh
Del Norte County Superior Court
450 H Street
Crescent City, CA 95531

Your Honor,

The following correspondence is in response to the Del Norte County Grand Jury Report for 2023-2024, specifically regarding the published findings related to “Crescent City Harbor District Staff Use of Credit Cards and Compliance with Annual Audit Requirements.” CCHD values the feedback provided by the Grand Jury and has worked diligently to address the concerns raised, as reflected in the responses below.

FINDINGS:

F1: CCHD provides credit cards to certain staff members to assist with their ability to conduct CCHD business

RESPONSE: Respondent agrees with finding:

The CCHD has issued credit cards to designated personnel in key positions, specifically: (1) the CEO/Harbormaster, (2) the Assistant Harbormaster, and (3) the Office Manager. The issuance of these cards is essential for the efficient operation of the harbor. In certain cases, using a credit card is the most practical or expedient means to procure necessary goods and services, particularly when engaging with vendors who operate exclusively through online platforms or when immediate payment is required to secure critical resources. The District strives to ensure that these cards are used strictly for official business purposes in compliance with applicable financial policies and procedures

F2: In 2021, a CCHD staff member misused the CCHD credit card to pay for a personal travel expense;

RESPONSE: Respondent agrees with finding:

In 2021, during the course of booking travel that involved both official CCHD business and personal travel, a CCHD staff member inadvertently charged a personal expense to the CCHD credit card. The comingling of expenses was unintentional, and once the error was identified, the staff member took prompt steps to rectify the situation. CCHD recognizes the importance of maintaining clear boundaries between personal and business expenses and views this incident as an isolated occurrence.

F3: CCHD has not produced any actual receipts demonstrating that the staff member fully reimbursed CCHD for the staff's misuse of the CCHD credit card;

RESPONSE: Respondent disagrees partially with finding:

While it is accurate that CCHD could not provide a point-of-sale receipt for the transaction in question, it is essential to clarify that this does not imply the reimbursement was unverified. At the time of the transaction in question, point-of-sale receipts were not typically retained as part of CCHD's standard business records for such reimbursements. However, the available CCHD documentation clearly demonstrates that the reimbursement was completed in full. Importantly, the reimbursement was documented well before the Grand Jury's investigation through a memorandum detailing the offsetting charge applied against the staff member who made the inadvertent personal charge.

Importantly, the unapproved charge was identified by the staff member themselves, who immediately took action to rectify the situation, reimbursing CCHD without any external prompting or instruction from supervisors or other individuals. This proactive approach reflects the honesty and integrity of CCHD staff. The District remains committed to transparency and accountability in all its financial practices and has since strengthened its credit card usage policies to ensure the highest level of oversight.

F4: CCHD staff developed a credit card policy in November 2022, but the policy was not discussed and approved by the CCHD commissioners in an open meeting;

RESPONSE: Respondent agrees with finding:

The development of the credit card policy involved thorough discussions between Commissioners and staff in committee meetings, where the policy was reviewed in draft form.

However, the policy was delayed in being brought to a public meeting due to outstanding legal considerations that required further clarification. CCHD is committed to ensuring that all policies are legally sound and fully vetted before formal approval by the Board of Commissioners in a public forum.

As of now, the credit card policy has been fully developed, addressing all outstanding legal and operational concerns. It is scheduled to be presented and adopted at the September 17, 2024 public meeting of the Board of Commissioners. CCHD remains committed to transparency and fiscal responsibility and views the adoption of this policy as a key step in further safeguarding public funds.

F5: CCHD failed to undergo timely audits for several fiscal years, including 2020/2021 and 2021/2022;

RESPONSE: Respondent agrees with finding:

The delay in conducting timely audits for the fiscal years 2020/2021 and 2021/2022 was primarily the result of significant staff turnover within the CCHD accounting department. During this period, the District faced challenges in simply maintaining day-to-day financial operations, which led to inevitable delays in the audit process. However, once qualified staff members were hired and fully onboarded, including a new Comptroller, CCHD immediately took corrective action to ensure that all required audits were brought up to date.

F6: As of 2024, CCHD has completed its required audits;

RESPONSE: Respondent agrees with finding:

CCHD remains fully committed to financial transparency and accountability. The District now maintains a stable and qualified accounting team to ensure compliance with all auditing and reporting requirements. CCHD has successfully completed all required audits.

RECOMMENDATIONS:

In response to the recommendations made by the Grand Jury, CCHD has taken significant steps to implement the necessary changes and safeguards. Below is a detailed account of the actions taken or planned to address each recommendation:

R1: CCHD should require staff to undergo regular training and should provide crosstraining for staff on requirements and best practices for financial management and safeguarding public funds;

RESPONSE: Recommendation has been implemented:

CCHD has instituted regular financial management training sessions for all personnel who expend public funds to ensure that staff are well-versed in the latest best practices for safeguarding public funds. These training sessions cover essential topics such as proper credit card usage, expense documentation, and internal control procedures.

Additionally, CCHD has implemented a cross-training program within its accounting and administrative teams. This program ensures that multiple staff members are familiar with financial protocols and can step in as needed, reducing the risk of operational disruptions due to staff illness or turnover. The cross-training also helps maintain continuity and compliance with financial management standards, reinforcing the District's commitment to fiscal responsibility and transparency.

R2: The CCHD should discuss the November 2022 credit card policy in an open meeting and determine whether it is sufficient to safeguard public funds, and whether to approve it as is or amend it by September 30, 2024.;

RESPONSE: Recommendation has not been implemented but will be implemented by September 30, 2024:

The November 2022 credit card policy has undergone extensive legal review and significant revisions to ensure it fully addresses the safeguarding of public funds. The policy has been greatly strengthened through collaboration between legal counsel and staff, incorporating best practices in public financial management and internal controls to mitigate any risk of misuse.

The policy is scheduled for discussion and adoption at the Crescent City Harbor District's public Board of Commissioners meeting on September 17, 2024. At that time, the Board will thoroughly evaluate the policy's effectiveness in protecting public funds and either approve it as is or make any necessary amendments. CCHD remains committed to ensuring that the policy is robust, transparent, and capable of preventing any future issues related to credit card use.

R3: CCHD should require staff to annually sign an acknowledgement of the Credit Card Policy;

RESPONSE: Recommendation has not been implemented but will be implemented by September 30, 2024:

CCHD intends to fully implement this recommendation immediately following the anticipated adoption of the updated credit card policy by the Board of Commissioners on September 17, 2024. Once the policy is officially approved, all staff members with access to CCHD credit cards

will be promptly required to sign an acknowledgment confirming their understanding and agreement to comply with the policy.

This annual acknowledgment process will become a formal requirement, ensuring that all employees are continually reminded of their responsibilities in safeguarding public funds and adhering to the District's financial management protocols.

R4: CCHD should require staff to separate their CCHD credit card from their personal credit cards via a sleeve, or other method, to avoid CCHD's credit card from being misused for personal expenses by mistake;

RESPONSE: Recommendation has been implemented:

CCHD has fully implemented this recommendation to prevent any inadvertent use of CCHD credit cards for personal expenses. All staff members who are issued a District credit card are now required to physically separate their CCHD credit card from personal credit cards by utilizing card sleeves or distinct holders. This simple but effective measure minimizes the risk of unintentional misuse and helps reinforce accountability in handling District funds. Additionally, this practice has been incorporated into the new credit card policy, which will further formalize and standardize these procedures across the organization.

R5: If a staff member misuses a CCHD credit card for a personal expense, CCHD should require the employee to reimburse CCHD via a trackable method, such as by check or credit card transaction which bolsters public faith and trust;

RESPONSE: Recommendation has been implemented:

CCHD has implemented this recommendation to ensure that any personal expense inadvertently charged to a District credit card is promptly reimbursed through a fully trackable method. Employees are required to reimburse CCHD either by personal check or credit card, ensuring a clear audit trail for each transaction. Furthermore, this procedure has been integrated into the updated credit card policy, which includes specific instructions for handling any personal charges and the required reimbursement process. These measures safeguard public funds and demonstrate CCHD's commitment to transparency and proper fiscal oversight.

R6: CCHD should make compliance with state auditing requirements a priority to prevent future violations of the law;

RESPONSE: Recommendation has been implemented:

CCHD has made compliance with state auditing requirements a top priority to ensure full adherence to applicable laws and regulations. The District has now established a robust process for meeting all audit deadlines and requirements, supported by a qualified and stable accounting team. Regular audits are conducted in accordance with state guidelines, and CCHD has implemented internal procedures to monitor ongoing compliance. By prioritizing timely audits and financial transparency, CCHD aims to prevent any future violations and maintain the public's trust in its fiscal operations.

R7: CCHD should request auditors to prominently highlight their review for credit card transactions and to clearly indicate whether they found credit card usage to be for CCHD business and supported by actual receipts;

RESPONSE: Recommendation has been implemented:

CCHD has fully implemented this recommendation by providing explicit instructions to its current auditor to prioritize the review of credit card transactions. The auditor has been directed to prominently highlight any findings related to credit card usage and ensure that each transaction is verified as being for CCHD business and supported by actual receipts. This request is now a formal part of the audit process to ensure transparency and accountability in the District's financial practices.

CONCLUSION:

CCHD remains fully committed to maintaining the trust of the public and ensuring sound financial management. The actions outlined in our responses demonstrate the District's dedication to implementing policies and procedures that prioritize transparency, accountability, and the responsible use of public funds. We appreciate the work of the Grand Jury in highlighting areas for improvement and will continue to strengthen our financial practices in alignment with these recommendations.