



Departmental Procedure Memorandum

Return of Grant Funds for Local Jurisdiction Assistance Grant Program

PURPOSE

State law provides that Local Jurisdiction Assistance Grant (LJAG) funds disbursed to local jurisdictions may be recaptured by the Department of Cannabis Control (DCC) under the following circumstances:

1. Funds are not expended by the date established by DCC.
2. Funds are used for an ineligible purpose.
3. The use of funds does not comply with the budget or annual plan submitted to, and approved by, DCC.
4. The local jurisdiction has failed to demonstrate progress toward addressing provisional licensee environmental compliance requirements necessary to attain annual licensure, as measured by the specific criteria provided in the annual plan.

This DCC procedure memorandum summarizes the procedures to be used when LJAG funds are to be recaptured by DCC.

PROCEDURES FOR RETURN OF GRANT FUNDS TO DCC

1. DCC will complete a comprehensive internal analysis of the budget, expenditures, and supporting documentation to determine whether funds are subject to recapture.
2. Upon completion of its internal analysis, if DCC determines that funds are subject to recapture, DCC will notify the grantee in writing through a Notice to Return Grant Funds. The Notice to Return Grant Funds will contain:
 - a. The amount of grant funds to be returned, as calculated by DCC;
 - b. The reason(s) that DCC is requiring that grant funds be returned;
 - c. A statement that the grantee has 30 calendar days to respond to the Notice to Return Grant Funds by either (i) contacting the DCC to

arrange return of the funds or (ii) curing the reason(s) that DCC is requiring the return of grants funds (including by establishing that the funds are not subject to recapture).

- d. Instructions for how to submit documentation establishing that the reason(s) for the return of grant funds has been cured; and
 - e. If DCC has identified a material breach of the grant agreement, a statement that DCC intends to terminate the grant agreement if the breach is not cured within the 30-calendar-day response period.
3. During the 30-calendar-day response period, a grantee may take any of the following actions, individually or in combination:
- a. Provide additional documentation that substantiates that the grant funds are not subject to recapture (for example, that the use of grant funds was allowable) and/or that there has been no material breach of the grant agreement.
 - b. Propose a corrective action plan (including any necessary modification of the grant agreement) to cure the reason(s) that DCC is requiring the return of grant funds and any material breach of the grant agreement.
 - c. Agree to return the grant funds in question to DCC.
4. After the 30-calendar-day response period and considering any actions taken by the grantee, DCC may take one or more of the following actions:
- a. Request additional information from the grantee, and provide the grantee with additional time to respond before further action is taken;
 - b. Identify further action, in addition to the corrective action plan proposed by the grantee, that would be necessary to cure the reason(s) that DCC is requiring the return of grant funds;
 - c. Work with the grantee to implement the grantee's corrective action plan, including any related modifications of the grant agreement;
 - d. Inform the grantee in writing that it is no longer required to return the grant funds;
 - e. Inform the grantee in writing that the grantee is required to return an amount of grant funds specified by DCC (not to exceed the amount specified in the Notice to Return Grant Funds), the amount of grant funds to be returned, and provide further instructions regarding the return of the grant funds.
 - f. Notify the grantee in writing that the grant agreement will be terminated on a date specified by DCC and provide the grantee with further instructions regarding the termination of the agreement.

- g. Take other action DCC deems appropriate to ensure compliance with law.

DISTRIBUTION

To all grantees awarded funds by DCC pursuant to the LJAG Program.

If you have questions or need further information, please contact DCC Office of Grant Management at grants@cannabis.ca.gov.