

Office of the Auditor General  
Performance Audit Report

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**Cannabis Regulatory Agency**  
Department of Licensing and Regulatory Affairs

August 2023

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The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

### Cannabis Regulatory Agency (CRA)

### Department of Licensing and Regulatory Affairs (LARA)

Report Number:  
641-0433-22

Released:  
August 2023

CRA is responsible for administering the State's legalized cannabis programs. Administration includes licensing, inspection, investigation, and enforcement activities for licensees growing, processing, testing, and selling cannabis. CRA is also tasked with processing new and renewal patient applications for medical marijuana cards prescribed by licensed physicians.

As of September 30, 2022, CRA reported 1,353 medical and 1,781 adult-use licensed marijuana facilities, 195,776 active registered patients, and 21,698 active caregivers. In fiscal year 2022, CRA collected \$40.6 million in revenue and expended \$23.2 million. As of September 30, 2022, CRA had 139 employees.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of CRA's enforcement activities.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
CRA averaged 196 days and took up to 757 days to complete disciplinary action for 123 formal complaints involving licensee violations. CRA had not completed disciplinary action for 555 formal complaints with violations that, as of September 30, 2022, had been open an average of 259 days ( <a href="#">Finding 1</a> ).	X		Partially agrees
CRA did not timely conduct 370 (17%) pre-licensure, 1,015 (53%) post-licensure, and 17 (32%) semiannual, annual, or 24-month inspections ( <a href="#">Finding 2</a> ).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of CRA's licensing activities.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.			Not applicable.

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of CRA's administration of the Michigan Medical Marijuana Program.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Clarification to State laws and administrative rules could help CRA ensure it reports physicians who may be falsely certifying bona fide physician-patient relationships with respective cardholders ( <u>Observation 1</u> ).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 4: To assess CRA's compliance with legislative reporting requirements.			Complied
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective			Conclusion
Objective 5: To assess the effectiveness of select LARA and/or CRA security and access controls over systems utilized by CRA.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
LARA and/or CRA did not obtain signed security agreements for 50% and 88% of the users reviewed for its two IT systems. LARA and/or CRA did not disable access for 19% and 3% of user accounts that had not been utilized within 60 days or 4% and 12% of user accounts that never utilized those systems ( <u>Finding 3</u> ).		X	Agrees

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# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

August 24, 2023

Adam Sandoval, Deputy Director  
Department of Licensing and Regulatory Affairs  
Ottawa Building  
Lansing, Michigan

Deputy Director Sandoval:

This is our performance audit report on the Cannabis Regulatory Agency, Department of Licensing and Regulatory Affairs.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler  
Auditor General



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# AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

## ENFORCEMENT ACTIVITIES

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### BACKGROUND

The Cannabis Regulatory Agency (CRA) is responsible for administering the State's legalized cannabis programs. CRA's Enforcement Division conducts inspections and investigations, initiates disciplinary action for violations of laws and administrative rules, and oversees the safety compliance facilities in Michigan. The Enforcement Division includes the following sections:

- Field Operations - Inspections Section  
This Section completes pre-licensure inspections of applicants and post-licensure and semiannual inspections of licensed medical and adult-use marijuana facilities. CRA required its regulation officers to utilize an inspection checklist to ensure applicants and licensed facilities followed relevant laws and administrative rules. From April 1, 2021 through September 30, 2022, CRA conducted 2,220 pre-licensure, 1,903 post-licensure, and 2,567 semiannual inspections.
- Field Operations - Investigations Section  
This Section receives, processes, and investigates all complaints against medical and adult-use marijuana facilities submitted to CRA. If a regulation agent determines a complaint is substantiated, they refer the investigation to CRA's Legal Section for disciplinary action. During the audit period, CRA investigated 4,265 complaints.
- Legal Section  
This Section receives substantiated complaints from the Investigations Section, reviews the investigation report, and issues a formal complaint to the licensee when disciplinary action is necessary. If the Legal Section determines a formal complaint is not necessary, it may issue a warning letter. Licensees can provide further information at any point during the disciplinary action process that could result in reduced or removed violations. Licensees can request compliance conferences or contested case hearings prior to completion of disciplinary action. Compliance conferences are meetings between CRA and licensees or their representatives to discuss allegations and potential disciplinary action against the licensee. If CRA reaches agreement with the licensee, it issues a consent order and stipulation (COS) that includes the disciplinary action CRA is taking against the licensee. If CRA and the licensee do not agree on disciplinary action, CRA will schedule a contested case hearing. Contested case hearings involve the Department of Attorney General, and the hearings are held with an administrative law judge who issues a proposal for decision. CRA issues a final order based on the proposal for decision, including the disciplinary action, if any, CRA is taking against the licensee.

- Scientific Section  
This Section oversees safety compliance facilities by developing testing methods and requirements, by testing results for pesticides and THC (tetrahydrocannabinol) levels in marijuana flower and concentrate, and by inspecting and investigating safety compliance facilities. Safety compliance facilities are required to annually pass proficiency testing from an International Organization for Standardization (ISO) accredited facility and quarterly pass proficiency testing completed by CRA. The facilities also submit daily test reports to CRA for review of pesticides and high THC levels. CRA reviews the daily testing results, identifies tests that show high THC levels, and requests retesting of the product to verify initial test results. If a test result is positive for a banned pesticide, the Scientific Section places an administrative hold on the product so it cannot be sold, completes an investigation, and ensures the licensees either destroy or remediate the failed product.

**AUDIT OBJECTIVE** To assess the sufficiency of CRA's enforcement activities.

**CONCLUSION** Sufficient, with exceptions.

**FACTORS  
IMPACTING  
CONCLUSION**

- CRA completed timely investigations for 91% of complaints we reviewed.
- CRA appropriately documented and communicated results and followed up on identified noncompliance for 100% of medical marijuana, adult-use marijuana, and safety compliance facility inspections we reviewed.
- CRA appropriately completed, reviewed, and referred for disciplinary action, if necessary, 100% of complaint investigations for medical marijuana, adult-use marijuana, and safety compliance facilities we reviewed.
- CRA ensured that an ISO accredited facility completed annual proficiency tests and followed up any identified issues for 100% of safety compliance facilities we reviewed.
- CRA conducted quarterly proficiency testing and appropriately followed up when necessary for 100% of the quarters we reviewed.
- CRA completed checklists and timely reviewed method validations\* and ensured safety compliance facilities submitted all required documentation for all method validation submissions we reviewed.

\* See glossary at end of report for definition.

- CRA identified and requested retesting for 100% of high-potency marijuana flower and 97% of concentrate initial test results we reviewed.
- CRA placed administrative holds on failed product, conducted investigations, and ensured licensees either remediated or destroyed product for 100% of failed banned pesticides tests we reviewed.
- Material condition\* related to improving disciplinary action process (Finding 1).
- Reportable condition\* related to improving timeliness of inspections (Finding 2).

\* See glossary at end of report for definition.

## FINDING 1

### Disciplinary action process needs improvement.

CRA needs to improve its processes to ensure timely disciplinary action against licensees for identified violations. Timely action helps CRA mitigate potential risks to Michigan's cannabis consumers and reduce future licensee violations.

Sections 333.27303 and 333.27957 of the *Michigan Compiled Laws* require CRA to take disciplinary action to prevent violations and impose fines and other sanctions against licensees who violate marijuana laws. Section 18.1485 of the *Michigan Compiled Laws* requires the Department of Licensing and Regulatory Affairs (LARA) to establish and maintain a system of effective and efficient internal control\* techniques. Timely and effective adjudication of complaints against licensees for violations is one of the objectives CRA self-identified in its Internal Control Evaluation for the biennial period ended September 30, 2022.

After an investigation, CRA prepares a report and conducts a disciplinary action review to determine appropriate actions for identified violations. CRA then issues a formal complaint to the licensee outlining the violations and its intentions to impose disciplinary action and advises the licensees of their rights to request a contested case hearing or compliance conference. When licensees request a contested case hearing, CRA involves other State agencies and does not control the scheduling for these hearings. After the hearing and/or compliance conference, or if the licensee does not request them, CRA issues a COS, or final order, which specifies the disciplinary action CRA is imposing.

CRA averaged 196 days to complete disciplinary action for 123 formal complaints and did not complete disciplinary action for 555 formal complaints open an average of 259 days as of September 30, 2022.

We identified 678 formal complaints open at some point from April 1, 2021 through September 30, 2022. The violations in these complaints included issues related to inventory handling and production, sales, waste disposal, general operations, and surveillance and security. As of September 30, 2022, CRA took up to 757 days, averaging 196 days, to complete disciplinary action for 123 of the formal complaints. CRA did not complete disciplinary action for 555 formal complaints that had been open up to 668 days, averaging 259 days, as follows:

Number of Days From Formal Complaint Date	Number (Percentage) of Formal Complaints	
	Completed	Open
0 to 30	19 (15%)	6 ( 1%)
31 to 90	9 ( 7%)	13 ( 2%)
91 to 180	30 (24%)	174 (31%)
181 to 365	53 (43%)	239 (43%)
366 to 757	12 (10%)	123 (22%)
Total	<u>123</u>	<u>555</u>

\* See glossary at end of report for definition.

Of these formal complaints, only 14 (11%) of the completed and 38 (7%) of the open formal complaints we identified appeared to involve a contested case hearing as of September 30, 2022. CRA had not established timeliness standards for scheduling and holding compliance conferences or drafting COSs. Based on its own calculations, CRA informed us it took an average of 93 and 34.5 days, respectively, to complete these components of its disciplinary process during our audit period.

CRA indicated it did not have sufficient staffing to address the backlog and inflow of disciplinary action cases during the audit period. After the audit period, CRA established a metric to schedule and hold compliance conferences within 35 days of receipt of the licensee's request and to draft a COS within 14 business days of a licensee accepting settlement terms.

We consider this finding to be a material condition based on the significant number of days it took CRA to complete those disciplinary actions, the number of formal complaints open with no disciplinary action, and the length of time they were open.

## RECOMMENDATION

We recommend that CRA improve its processes to ensure timely disciplinary action against licensees for identified violations.

## AGENCY PRELIMINARY RESPONSE

LARA provided us with the following response:

*CRA partially agrees with the finding and recommendation.*

*The CRA acknowledges that the agency-pursuant to its current and non-binding, internal metrics-needs to improve its processes to timely initiate and resolve disciplinary proceedings as soon as reasonably possible.*

*As a result of the finding, the CRA has taken the following steps to improve the timeliness in initiating and resolving formal complaints:*

- 1. CRA created a single section to address disciplinary matters. Legal was previously part of the Scientific Section, but now is its own section.*
- 2. CRA hired a new manager for the Legal Section who was an Assistant Attorney General (AAG) and previously assigned to provide the CRA with legal representation.*
- 3. Four (4) legal analyst positions were added to the Legal Section. Two of the positions were reallocated from other areas of the CRA and the other 2 positions are new FTEs for FY 2023.*
- 4. CRA requested the Attorney General to hire an additional AAG to work on CRA matters, which has already occurred.*

5. *CRA restructured the analyst job duties to allow some team members to focus on review/drafting administrative complaints and other team members to focus on compliance conferences/settlement negotiations for efficiency.*
6. *CRA increased the number of compliance conferences held by each analyst per month. Analysts are now assigned up to four compliance conferences per week. Additionally, the Legal Section now schedules all initial compliance conferences within 35 days of the request from the licensee. This allows sufficient time for the analyst and licensee to prepare for the conference.*
7. *CRA implemented several Accela based updates, including an updated record workflow, and new reports that allow for easier case management. Additionally, CRA has a current project underway to review the Legal Section's disciplinary action workflow in Accela to make further improvements.*
8. *CRA streamlined the process for licensees to provide mitigation regarding pending discipline. Upon receipt of the licensee's request for a compliance conference, CRA provides a letter requesting mitigation be provided prior to the scheduled compliance conference.*

*In addition to the steps the CRA has already taken, the Legal Section's processes and workflows will continue to be evaluated for efficiency and changes implemented when necessary.*

*CRA disagree this is a material finding for the following reasons:*

- *The OAG is unable to objectively identify a timeframe by which the CRA should initiate or resolve disciplinary actions that would be satisfactory or warrant only a reportable finding. Neither the Michigan Regulation and Taxation of Marihuana Act nor the Medical Marihuana Facilities Licensing Act specify a timeframe to execute disciplinary action reviews and the OAG has not provided a recommended timeframe.*
- *If the CRA accepts this as a material finding without the OAG providing an objective timeframe for resolving complaints, there is nothing to prevent the OAG from later changing what they deem is an acceptable timeframe for resolving them. This may result in the OAG penalizing the CRA in the future, regardless of any improvements the agency makes.*
- *After a formal complaint is issued, the following factors alone, or in combination with the other factors, may contribute to a formal complaint going unresolved for an extended period of time. As the OAG noted above, formal complaints involving a contested case hearing are largely*

*beyond the CRA's control. The following are additional factors that are beyond the CRA's control:*

- *The process is dependent on the responsiveness of third parties. Licensees and their attorneys often may benefit from delaying administrative proceedings.*
- *At the request of a licensee, an older complaint may be consolidated with a recent complaint and remain open until all of the matters can be resolved together.*
- *Licensees can request to reschedule compliance conferences with the CRA due to external factors affecting them.*
- *Upon discovery of new information, a first superseding formal administrative complaint may be required, which restarts the process.*
- *The licensee may reject the proposed settlement terms and proceed to a hearing.*
- *The licensee may appeal a Final Order issued by the CRA.*

*The CRA recognizes the amount of time these complaints have been open is not ideal and requires improvement, however, all complaints suggesting any risk to public health and safety are prioritized and remedied first. As a result, in the absence of an objective timeframe, the CRA acknowledges that these complaints warrant a reportable finding.*

**AUDITOR'S  
COMMENTS TO  
AGENCY  
PRELIMINARY  
RESPONSE\***

Although CRA indicates partial agreement with the finding and recommendation, it acknowledges the need to improve its processes and identified 8 steps it has taken because of the finding. Therefore, it appears CRA agrees with the finding and recommendation.

The classification of the finding as material is based on the auditor's judgment in relation to the audit objective (see glossary, page 38). We clearly identified the factors we considered in classifying the finding on page 12. CRA, in its disagreement with the classification, implied the OAG applied an unreasonable standard for timeliness, despite its acknowledgment within its response to the contrary. In addition, CRA established metrics after our audit period that when applied to the formal complaints we cited, would still be exceptions further supporting the finding.

\* See glossary at end of report for definition.



Given the time frames CRA established in the metrics as compared with our testing results, significant improvement would be necessary to achieve compliance with the metrics, therefore demonstrating the material nature of the weaknesses.

The OAG's mission is to improve State government operations and we conduct our audits in accordance with professional auditing standards. We have no authority to enforce our recommendations or otherwise "penalize" agency performance.

We acknowledge many factors impact CRA's timeliness in resolving complaints; however, as indicated in the finding, only a small percentage of formal complaints involved a contested case hearing. CRA provided no additional information to refute the timeliness related to formal complaints we summarized in the finding. The finding stands as written.

## FINDING 2

### Inspection timeliness needs improvement.

CRA should ensure it conducts timely inspections of medical and adult-use marijuana facilities.

Sections 333.27957(1)(c) and 333.27303(1)(c)(i) of the *Michigan Compiled Laws* state CRA is responsible for ensuring compliance with laws and administrative rules through regular inspections of licensees. CRA's internal metric is to conduct pre-licensure inspections of applicants for a medical and adult-use marijuana facility license within 10 business days of CRA Applications Section request. Also, CRA policy requires inspections of medical and adult-use marijuana facilities 30 days post-licensure and either semiannually, annually, or every 24 months, depending on the results of the previous inspection.

CRA's inspections help CRA accomplish its mission to preserve safe consumer access to marijuana and its stated goal to provide applicants and/or licensees with guidance and resources to promote compliance. CRA's pre-licensure inspections include ensuring licensee physical locations match submitted plans, with features such as locks, alarm systems, cameras, lighting, and secure grow areas. For those applicants operating multiple marijuana businesses at the same location, these inspections also help CRA verify the existence of separate inventories, recordkeeping, and point-of-sale operations. CRA's post-licensure and subsequent periodic inspections include ensuring licensees are appropriately packaging and tagging products and the product packaging includes testing results. Inspections also help CRA ensure licensees have operating video surveillance systems, perform employee background checks, and are selling only to individuals 21 or older.

From April 1, 2021 through September 30, 2022, CRA conducted 2,220 pre-licensure, 1,903 post-licensure, and 2,567 semiannual, annual, or 24-month inspections. Our review disclosed CRA did not timely conduct 370 (17%) pre-licensure, 1,015 (53%) post-licensure, and 17 (32%) of 54 randomly selected semiannual, annual, or 24-month inspections, as follows:

Number of Days Late	Type and Number (Percentage) of Inspections		
	Pre-Licensure	Post-Licensure	Semiannual/Annual/24 Month
1 to 30	348 (94%)	693 (68%)	6 (35%)
31 to 90	19 ( 5%)	253 (25%)	7 (41%)
Greater than 90	3 ( 1%)	69 ( 7%)	4 (24%)
<b>Total</b>	<b>370</b>	<b>1,015</b>	<b>17</b>

Of the inspections completed greater than 90 days late, CRA identified noncompliance with 2 (67%) pre-licensure, 9 (13%) post-licensure, and 1 (25%) semiannual inspections. Some of the identified noncompliance involved inadequate surveillance systems, untagged product, and sales labels missing required information such as harvest date, name of the laboratory performing compliance testing, and test analysis dates.

CRA informed us it did not have sufficient staffing, which increased the workload of existing inspectors and impacted the timeliness of its various inspections.

## RECOMMENDATION

We recommend that CRA conduct timely medical and adult-use marijuana facility inspections.

## AGENCY PRELIMINARY RESPONSE

LARA provided us with the following response:

*CRA agrees with this recommendation.*

*The metrics noted by the OAG were designed to improve the CRA's performance and help licensees compliantly begin operations. The metric on post licensure timeliness was informed through CRA's experience of when new licensees become operational. However, each individual licensee and their circumstances are unique which can result in delays.*

*The CRA has taken the following steps to improve the timeliness in completing inspections:*

- 1. CRA is currently in the process of filling 2 Regulation Officer (RO) positions, which will increase the total number of ROs from 14 to 16.*
- 2. CRA has hired a new Division Director to lead the Enforcement Section. The new director has significant experience conducting inspections.*
- 3. CRA created a section with one manager for inspections to increase focus and scope. Previously, inspections were combined with investigations in one section.*
- 4. CRA will update internal policies and procedures to clarify 30-day inspections are not conducted unless the licensee is operational.*
- 5. CRA created and implemented a system for prioritizing inspections due to staffing limitations:*
  - Pre-licensure inspections are the highest priority because licenses need to be issued timely, so that licensees can begin operations.*
  - Reporting Form/Other Inspections are the second priority and involve changes to the building, adding processing equipment, or follow up by ROs to ensure a deficiency previously identified was corrected. These inspections are important because they ensure changes to the building or new equipment being added do not pose a risk to employees or customers.*

- *Post-Licensure inspections are the third priority because they allow the CRA to observe a licensee's operations and help with compliance issues when the licensee starts their business.*
- *Semi-annual inspections are the fourth priority because the licensee has already been operating and often has received a Reporting Form/Other inspection prior to the Semi-annual inspection. If a licensee does not receive any deficiencies resulting in an investigation during a semi-annual inspection, the next inspection will be scheduled 24 months after passing that inspection. If a licensee has deficiencies that result in an investigation, the deficiencies are corrected and the next semi-annual inspection for that licensee is scheduled one-year from the date of the inspection. A Reporting Form/Other type inspection conducted within 90 days prior to a scheduled semi-annual inspection may include and be the semi-annual inspection, as long as the entire semi-annual inspection is completed.*

6. *CRA is updating the scheduling process and procedure for semi-annual inspections to synchronize the inspections for multiple licenses at the same location.*

*In addition to the steps the CRA has already taken, the Inspections Section's processes and workflows, with a primary focus on semi-annual inspections, will continue to be evaluated and modified for efficiency.*

## LICENSING ACTIVITIES

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### BACKGROUND

The Michigan Regulation and Taxation of Marihuana Act (MRTMA) (Sections 333.27951 - 333.27967 of the *Michigan Compiled Laws*) and the Medical Marihuana Facilities Licensing Act (MMFLA) (Sections 333.27101 - 333.27801 of the *Michigan Compiled Laws*) authorize the following licensed facilities:

- Grower Class A, B, and C - MRTMA and MMFLA
- Excess Grower - MRTMA
- Processor - MRTMA and MMFLA
- Provisioning Center - MMFLA
- Retailer - MRTMA
- Class A Microbusiness - MRTMA
- Microbusiness - MRTMA
- Safety Compliance - MRTMA and MMFLA
- Secure Transporter - MRTMA and MMFLA
- Designated Consumption Establishment - MRTMA
- Educational Research License - MRTMA
- Marihuana Event Organizer - MRTMA
- Temporary Marihuana Event - MRTMA

CRA's Applications and License Maintenance Sections within the Licensing Division are responsible for processing initial and renewal applications for medical and adult-use marijuana facilities authorized in MRTMA and MMFLA and issuing licenses to applicants who meet all criteria established in the Acts.

From April 1, 2021 through September 30, 2022, CRA received 2,940 initial and renewal applications for MRTMA and 2,181 initial and renewal applications for MMFLA. CRA issued 2,522 MRTMA and 1,894 MMFLA initial and renewal licenses.

The MMFLA and *Michigan Administrative Code* R 420.20 require licensed facilities to file a financial statement with CRA every 3 years, or a shorter time period as determined by CRA. The Financial Compliance Section, within CRA's Licensing Division, established a three-year reporting period for licensees and is responsible for annually creating and issuing to licensees the required annual financial statement report form for completion.

The Financial Compliance Section reviews the annual financial statements submitted by licensees and makes referrals to CRA's Enforcement Division for investigation when necessary. CRA analysts verify licensees appropriately complete the annual financial statement report.

### AUDIT OBJECTIVE

To assess the sufficiency of CRA's licensing activities.

### CONCLUSION

Sufficient.

**FACTORS  
IMPACTING  
CONCLUSION**

- CRA processed 94.0% of medical and 99.9% of adult-use marijuana facility license applications in a timely manner.
- For 100% of the approved licensees for medical and adult-use marijuana facilities we reviewed:
  - The applicant:
    - Submitted a complete and signed application.
    - Paid the appropriate fees.
    - Received financial and business-related background checks.
    - Obtained local municipality approvals.
  - CRA:
    - Ensured all medical marijuana facility applicants received a fingerprint criminal history background check through the Michigan Department of State Police (MSP).
    - Completed the appropriate application review checklist and conducted an internal audit of all approved applications.
- CRA documented its review, communicated identified deficiencies with licensees, referred deficiencies for investigation when appropriate, and documented necessary follow-up with licensees for all annual financial statements we reviewed.
- CRA reduced the backlog of unreviewed annual financial statements by 66%.

# ADMINISTRATION OF THE MICHIGAN MEDICAL MARIJUANA PROGRAM

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## BACKGROUND

The Michigan Medical Marijuana Program (MMMP) is the registry program provided for in the Michigan Medical Marihuana Act (MMMA) (Sections 333.26421 - 333.26430 of the *Michigan Compiled Laws*). MMMA protects patients\* and caregivers\* from arrest, prosecution, or penalty for the medical use of marijuana provided that:

- The patient or caregiver has a valid registry identification card.
- The caregiver is connected to the patient through a registry identification card.
- The patient or caregiver is not in possession of an amount of marijuana that exceeds the amount allowed.

Patients register for MMMP by submitting their applications, physician certification forms, and applicable fees. From April 1, 2021 through September 30, 2022, CRA received an average of 262 applications daily. In accordance with MMMA, CRA must process applications within 15 business days and issue a registry identification card within 5 business days from the date of approval. Registry identification cards are valid for 2 years and can be renewed through submission of a new application and physician certification form.

Registered patients can elect to have a primary caregiver assist them with their medicinal use of marijuana. A primary caregiver must pass a criminal history background check and can be the primary caregiver for no more than 5 registered patients. CRA performs criminal history background checks using MSP's Internet Criminal History Access Tool (ICHAT).

Registered patients and/or primary caregivers can submit amendments to request changes to their medical marijuana cards, such as adding or removing a caregiver or a patient, changing a caregiver, or requesting a replacement card.

## AUDIT OBJECTIVE

To assess the effectiveness\* of CRA's administration of MMMP.

## CONCLUSION

Effective.

## FACTORS IMPACTING CONCLUSION

- CRA processed 99.8% of all applications and 99.9% of all amendments received during the audit period in a timely manner.

\* See glossary at end of report for definition.

- 99.9% of caregivers had 5 or fewer registered patients.
- For 100% of medical marijuana applications we reviewed, applicants and caregivers signed applications and submitted required identification documentation, licensed physicians completed physician certifications, and caregivers received ICHAT background checks.
- Observation\* related to physician certifications of physician-patient relationships with MMMP cardholders.

*\* See glossary at end of report for definition.*



## OBSERVATION 1

**Clarification to State laws and administrative rules could help CRA ensure it reports physicians who may be falsely certifying bona fide physician-patient relationships with respective cardholders.**

CRA did not investigate or refer physicians to the Bureau of Professional Licensing (BPL) who may be misrepresenting patient-physician relationships, because it believes it faces significant legal risks associated with potentially violating confidentiality provisions in MMMA. CRA stated the only way to report physicians to BPL without exposing MMMP and LARA to significant legal risk is for the Legislature to amend MMMA to specifically authorize CRA to do this.

MMMA and Michigan administrative rules require an MMMP application to include a written certification signed by a licensed physician in the course of a bona fide physician-patient relationship\*. MMMA defines a bona fide physician-patient relationship as a treatment or counseling relationship in which certain appointments have been held and others are reasonably expected to be held in the future.

CRA registered 134,709 MMMP patient cardholders from April 1, 2021 through September 30, 2022 (376 work days) for which 1,495 physicians certified they had a bona fide physician-patient relationship with the respective cardholders, as follows:

Physicians	Number of Cardholders Certified	Percentage of Total Certifications	Average Number of Patients Certified Per Day
1	11,819	9%	31
1	11,214	8%	30
16	59,959	45%	7 to 16
1,477	51,717	38%	Less than 1 to 5

A survey conducted by the Physicians Foundation during 2018 indicated the majority of primary care physicians reported seeing an average of 11 to 20 patients per day and 80% of survey respondents described their workload as overextended or at capacity.

Given the significant percentage (62%) of cardholders certified by only 18 physicians, it is likely some of these physicians did not have a bona fide physician-patient relationship with the applicants. Because MMMP cardholders can obtain higher potency marijuana and purchase it tax free, they may seek out physicians willing to provide certifications without establishing or maintaining a bona fide physician-patient relationship.

CRA informed us it reviews monthly reports of the number of patients each physician certified during the month and is concerned with the number of patients some physicians are certifying. Although MMMA and administrative rules require CRA to verify the application or renewal information, CRA informed us

\* See glossary at end of report for definition.

MMMA does not provide it with the investigative authority to determine if a bona fide physician-patient relationship exists, and it would need to refer a physician to BPL for investigation.

Further, CRA believes it does not have the authority to utilize the report information because of the patient-physician confidentiality provision in MMMA, which prohibits CRA employees from disclosing confidential information. However, this same provision also specifies CRA employees "may notify" law enforcement about falsified or fraudulent information.

LARA should work with the Legislature to ensure it has the necessary authority to effectively carry out its licensing, investigating, and reporting oversight responsibilities related to bona fide physician-patient relationships.

## LEGISLATIVE REPORTING REQUIREMENTS

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### BACKGROUND

Sections 333.26426(i), 333.27957(f), and 333.27702 of the *Michigan Compiled Laws* and CRA's annual appropriations act (Section 505, Public Act 166 of 2020) require CRA to annually report information to the Legislature, including:

- The number of initial and renewal applications received, approved, and denied by license category and by county, if applicable.
- The registered names and addresses of all facilities licensed under the above-referenced statutes, by license category and by county.
- The average amount of time, from receipt to approval or denial, to process initial and renewal applications, by license category, if applicable.
- The percentage of initial applications approved or denied within the time requirements established in the respective statute, by license category, if applicable.
- The number of and a description of the types of complaints received pertaining to the above-referenced statutes, by license type or regulatory activity, and the process used to resolve them.
- The number of investigations opened and closed pertaining to each license category.
- The total amount collected from application fees or established regulatory assessment and the specific fund this amount is deposited into, by license category.
- The costs of administering the licensing program under each of the above-referenced statutes.

### AUDIT OBJECTIVE

To assess CRA's compliance with legislative reporting requirements.

### CONCLUSION

Complied.

### FACTORS IMPACTING CONCLUSION

- CRA submitted the fiscal year 2021 legislative report in a timely manner, and it contained complete and materially accurate data for the data elements we reviewed.

# SECURITY AND ACCESS CONTROLS OVER SYSTEMS UTILIZED BY CRA

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## BACKGROUND

Security controls are the management, operational, and technical controls designed to protect the availability, confidentiality, and integrity of a system and its information.

Access controls limit or detect inappropriate access to computer resources, thereby protecting the resources from unauthorized modification, loss, and disclosure. For access controls to be effective, they should be properly authorized, implemented, and maintained.

Accela is a system that contains information related to CRA licensees, inspections, investigations, and medical marijuana patient and caregiver registrations. Metrc is Michigan's Statewide seed-to-sale marijuana tracking system that uses serialized tags to track marijuana inventory. Accela and Metrc are third-party service organization (TPSO) hosted systems.

## AUDIT OBJECTIVE

To assess the effectiveness of select LARA and/or CRA security and access controls over systems utilized by CRA.

## CONCLUSION

Moderately effective.

## FACTORS IMPACTING CONCLUSION

- LARA appropriately documented its review of System and Organization Controls\* (SOC) 2, type 2 reports for Accela and Metrc.
- Reportable condition related to the need for improved security and access controls (Finding 3).

\* See glossary at end of report for definition.

### FINDING 3

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#### **Security and access controls over Accela and Metrc need improvement.**

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LARA and/or CRA need to improve security and access controls over Accela and Metrc to help prevent and detect inappropriate access and protect marijuana facility and patient data from unauthorized use, modification, or destruction.

State of Michigan Technical Standards 1340.00.020.01 and 1340.00.020.03 require user roles to be documented and user access to be formally approved, based on the principle of least privilege\*. Also, user access must be periodically reviewed, disabled after 60 days of inactivity for assigned user accounts or 365 days of inactivity for generic system user accounts, and removed within 72 hours of an employee's departure. In addition, CRA policy required an audit of system access every 30 days.

Also, the State of Michigan Financial Management Guide (FMG) (Part VII, Chapter 1, Section 1000) requires oversight of a TPSO's internal control system when those services have a material effect on the department's operations and reporting. The FMG indicates oversight includes gaining an understanding of the TPSO's controls, obtaining assurance the controls are functioning as intended, and evaluating the effectiveness of the controls on an ongoing basis.

The FMG requires each department to evaluate and document its review of the SOC report, evaluate the impact of the opinion, and determine whether compensating controls exist that mitigate any risks within 30 days of receipt of a SOC report.

We identified 198 active (including 21 generic system user accounts) and 129 disabled Accela user accounts and 75 active and 38 disabled Metrc user accounts with access to marijuana facility and patient data as of September 30, 2022. We noted LARA and/or CRA had not:

- a. Periodically reviewed user accounts, including when a user's access was granted, disabled, or modified, and user role permissions. Therefore, LARA and/or CRA could not ensure access was appropriate, still necessary, or timely removed. CRA informed us it had not been aware these fields existed in Accela or Metrc during our audit period.
- b. Documented the completion of any audits of system access for Metrc user accounts and had not documented 15 (83%) of 18 audits of system access for Accela user accounts in our audit period. For the 3 Accela system access audits CRA documented, we noted CRA did not remove system access for user accounts identified as inactive for more than 60 days.
- c. Disabled or removed 40 Accela and 11 Metrc user accounts for inactivity and/or employee departure:
  - (1) 33 (19%) Accela and 2 (3%) Metrc user accounts were not utilized within 60 days, ranging from 73

\* See glossary at end of report for definition.

days to 2,507 days for Accela and 81 days to 86 days for Metrc, including 1 former State employee's Accela account.

(2) 7 (4%) Accela and 9 (12%) Metrc user accounts were never utilized.

Although the 1 former State employee (who departed 84 days prior to September 30, 2022) did not log into Accela after their employment departure date, we noted 2 former State employees who departed employment prior to April 1, 2021 and logged into Accela after their employment departure date.

- d. Obtained signed security agreements for 9 (50%) of the 18 Accela and 7 (88%) of the 8 Metrc user accounts we reviewed.
- e. Documented the user roles requested for 16 (89%) of the 18 Accela and 6 (75%) of the 8 Metrc user accounts we reviewed. CRA informed us user roles were determined through job descriptions and communication between human resources and management.
- f. Timely reviewed the Metrc SOC 2, type 2 report received from April 1, 2021 through September 30, 2022. LARA reviewed the report 74 days after receipt. SOC reports are internal control reports of a TPSO that provide valuable information to enable users to assess and address the risks associated with an outsourced service. The valuable information includes system security, availability, processing integrity, confidentiality, and privacy.

LARA and/or CRA did not have a comprehensive process to periodically review the appropriateness of active Accela and Metrc user accounts.

## **RECOMMENDATION**

We recommend that LARA and/or CRA enhance security and access controls over Accela and Metrc.

## **AGENCY PRELIMINARY RESPONSE**

LARA provided us with the following response:

*CRA agrees with this recommendation.*

*The CRA currently has access and security controls in place but acknowledge it failed to maintain documentation demonstrating the access and security control activities are being completed according to standard procedures.*

*As a result, CRA will complete the following improvements regarding Accela and Metrc access:*

- 1. Develop and implement a formal procedure that defines user roles for both systems and how the user roles are assigned.*
- 2. Until an automated solution or report can be developed, the CRA will implement and maintain an Excel spreadsheet for Accela and Metrc access that shows the following for new and existing employees:*
  - Date access was granted.*
  - Date any changes are made to the user role or access.*
  - Date the account is disabled and why.*
- 3. The CRA has updated the procedure for auditing Accela access and documented the procedure for auditing Metrc access to ensure employees still require access to the systems. Both procedures include the following:*
  - Documentation that the audit occurred and who performed it.*
  - Documentation of any actions taken based on the audit (account disabled or change to user role).*
  - Documentation that the manager or his or her designee verified the audit was performed according to the procedure.*
- 4. Security Agreements: This process has been updated to correct this issue. We are now collecting signed forms for each initial employee access, as well as employee departures. We now have individuals that are assigned directly to this process and have given them an outlined process and an escalation path if documents are not received, and each document is kept in a separate employee folder for better organization. In addition, we are in the process of having all employees without a security agreement sign and submit the document to the CRA IT Section.*
- 5. LARA does obtain SOC reports from all applicable IT vendors on an annual basis. Significant challenges arise to ensure reviews are completed within 30 days due to the varying levels of support and contracts amongst its 20 separate IT vendors. To address the risk, the LARA Agency Security Officer (ASO) or ASO designee will create a contact list and send periodic reminders to LARA bureaus to immediately provide SOC reports upon receipt to help minimize delays in beginning the review.*

## AGENCY DESCRIPTION

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CRA is responsible for administering cannabis programs under MMMA, established in 2008; MMFLA and Marijuana Tracking Act, established in 2016; and MRTMA, established in 2018. CRA's mission is to establish Michigan as the national model for a regulatory program which stimulates business growth while preserving safe consumer access to cannabis. CRA's responsibilities include registration of patients and caregivers and licensing and oversight of facilities participating in the cannabis industry. During our audit period, CRA was composed of the Enforcement, Licensing, and Operations Divisions.

As of September 30, 2022, CRA reported 195,776 active registered patients, 21,698 active caregivers, 1,353 medical marijuana facility licenses, and 1,781 adult-use marijuana facility licenses. In fiscal year 2022, CRA collected \$40.6 million in revenue and expended \$23.2 million. As of September 30, 2022, CRA had 139 employees. For fiscal year 2022, CRA was appropriated \$24.1 million.



## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the records and processes of CRA. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined that all components were significant.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered April 1, 2021 through September 30, 2022.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of CRA's processes. During our preliminary survey, we:

- Interviewed CRA management and staff to gain an understanding of their organizational structure, responsibilities, and procedures.
- Examined applicable State laws, *Michigan Administrative Code* rules, CRA policies, and CRA guidance issued to medical and adult-use marijuana facilities.
- Analyzed CRA revenue and expenditure data from October 1, 2020 through September 30, 2022.
- Obtained an understanding of and assessed internal control applicable to CRA.

### OBJECTIVE 1

To assess the sufficiency of CRA's enforcement activities.

To accomplish this objective, we:

- Reviewed 40 of 3,725 complaint investigations completed during our audit period to determine whether the investigation was documented, reviewed by a manager, and, if necessary, referred for disciplinary action.

\* See glossary at end of report for definition.

- Analyzed 3,725 complaint investigations completed during the audit period to determine if CRA completed its investigations in a timely manner.
- Analyzed 678 formal complaints open during the audit period to determine if CRA promptly completed disciplinary action.
- Reviewed 60 of 8,422 medical and adult-use marijuana facility inspections performed during the audit period to determine if CRA:
  - Completed the appropriate inspection checklist.
  - Communicated inspection results to the licensee.
  - Followed up on identified noncompliance.
- Analyzed 8,422 medical and adult-use marijuana facility inspections performed during the audit period to determine if CRA completed them in a timely manner.
- Reviewed 15 of 151 medical and adult-use safety compliance facility inspections performed during the audit period to determine if CRA:
  - Completed the appropriate inspection checklist.
  - Communicated inspection results to the licensee.
  - Followed up on identified noncompliance.
- Reviewed 12 of 120 complaint investigations performed by CRA's Scientific Section during the audit period to determine whether a manager reviewed the investigations and, if necessary, referred them for disciplinary action.
- Reviewed 4 of 23 safety compliance facilities' annual proficiency testing to determine if an ISO accredited facility completed the testing and if CRA followed up on issues identified during the proficiency testing.
- Reviewed all 6 quarters during the audit period to determine if CRA conducted quarterly proficiency testing of the safety compliance facilities and followed up on issues it identified.
- Reviewed 3 method validations submitted during the audit period by 3 of 23 safety compliance facilities to determine if CRA reviewed submissions in a timely manner and ensured that safety compliance facilities submitted all required documentation.

- Reviewed documentation of CRA's review for 25 of 376 daily testing reports submitted by safety compliance facilities during the audit period to determine if CRA identified and requested retesting for 87 high-potency marijuana flower and 67 high-potency marijuana concentrate initial test results.
- Reviewed 10 of 72 failed banned pesticide tests reported by safety compliance facilities during the audit period to determine if CRA placed administrative holds on the failed product, conducted an investigation, and ensured that the licensee either remediated or destroyed the failed product.

We selected our random samples to eliminate any bias and enable us to project our test results to their respective populations.

## **OBJECTIVE 2**

To assess the sufficiency of CRA's licensing activities.

To accomplish this objective, we:

- Reviewed CRA's records for 40 of 2,181 medical and 40 of 2,940 adult-use marijuana facility license applications that CRA approved during the audit period to determine if:
  - Applicants submitted a completed and signed application.
  - Medical marijuana facility applicants completed a fingerprint background check through MSP.
  - The licensees paid the appropriate fees.
  - The local municipalities approved the facilities.
  - CRA completed the application review checklist.
- Analyzed the timeliness of CRA's processing of the 2,181 medical and 2,940 adult-use marijuana facility license applications received during the audit period.
- Reviewed CRA's records for 25 of the 309 annual financial statements submitted by licensees during our audit period to determine if CRA reviewed them, communicated identified deficiencies to licensees, referred deficiencies for investigation when appropriate, and documented any follow-up with licensees.
- Analyzed CRA's efforts during our audit period to reduce the backlog of annual financial statements submitted but not reviewed.

We selected our random samples to eliminate any bias and enable us to project our test results to their respective populations.

### **OBJECTIVE 3**

To assess the effectiveness of CRA's administration of MMMP.

To accomplish this objective, we:

- Reviewed a sample of 40 of 143,528 initial and renewal applications CRA received during the audit period to determine if:
  - Applicants and caregivers, if applicable, signed them.
  - A physician licensed by the State completed the physician certification.
  - CRA verified the applicant's identity and caregiver, if applicable.
  - CRA conducted an ICHAT review of the caregiver, if applicable, and appropriately processed the application.
- Analyzed the timeliness of CRA's processing of the 143,528 initial and renewal applications submitted during the audit period.
- Analyzed the timeliness of CRA's processing of 23,829 amendments requested during the audit period.
- Analyzed licenses CRA issued to the 70,440 active caregivers, as of September 30, 2022, to determine if CRA allowed any caregivers more than 5 registered patients.

We selected our random samples to eliminate any bias and enable us to project our test results to their respective populations.

### **OBJECTIVE 4**

To assess CRA's compliance with legislative reporting requirements.

To accomplish this objective, we:

- Interviewed staff to determine CRA's process for preparing legislatively required reports.
- Verified the submission of required reports for fiscal year 2021.

- Verified the accuracy of selected items in the fiscal year 2021 report.

## **OBJECTIVE 5**

To assess the effectiveness of select LARA and/or CRA security and access controls over systems utilized by CRA.

To accomplish this objective, we:

- Discussed State of Michigan technical standards with CRA, including periodic reviews of user accounts, and evaluated 198 active and 129 disabled Accela and 75 active and 38 disabled Metrc user accounts to determine compliance with these standards.
- Reviewed 18 of 174 CRA Accela user accounts and 8 of 80 Metrc user accounts active as of September 30, 2022 to determine whether:
  - Approval of user access privileges was established and properly documented.
  - Access was appropriate for users' job responsibilities.

Our sample was randomly selected to eliminate bias and enable us to project the results to the entire population.

- Compared the 174 Accela users and 80 Metrc users who had active accounts with the Human Resources Management Network (HRMN) employment records to determine whether all active users were current State employees.
- Reviewed the Accela SOC 2, type 2 reports covering September 1, 2020 through September 30, 2021 and determined if LARA or CRA documented its review and reviewed in a timely manner.
- Reviewed the Metrc SOC 2, type 2 report covering August 1, 2020 through July 31, 2021 and determined if LARA or CRA documented its review and reviewed in a timely manner.

## **CONCLUSIONS**

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

**AGENCY  
RESPONSES**

Our audit report contains 3 findings and 3 corresponding recommendations. LARA's preliminary response indicates that CRA agrees with 2 of the recommendations and partially agrees with 1 of the recommendations.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

**PRIOR AUDIT  
FOLLOW-UP**

Following is the status of the reported findings from our November 2016 performance audit of the Michigan Medical Marijuana Program, Department of Licensing and Regulatory Affairs (641-0435-16):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding or Observation Number
1	Physician Certifications	Rewritten*	Observation 1
2	Change Form Timeliness	Complied	Not applicable
3	Electronic Application System	Complied	Not applicable

\* See glossary at end of report for definition.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>AAG</b>	Assistant Attorney General.
<b>auditor's comments to agency preliminary response</b>	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
<b>bona fide physician-patient relationship</b>	<p>A treatment or counseling relationship between a physician and patient in which all of the following are present:</p> <ol style="list-style-type: none"><li>(1) The physician has reviewed the patient's relevant medical records and completed a full assessment of the patient's medical history and current medical condition, including a relevant medical evaluation of the patient.</li><li>(2) The physician has created and maintained records of the patient's condition in accordance with medically accepted standards.</li><li>(3) The physician has a reasonable expectation that they will provide follow-up care to the patient to monitor the efficacy of the use of medical marijuana as a treatment of the patient's debilitating medical condition.</li><li>(4) If the patient has given permission, the physician has notified the patient's primary care physician of the patient's debilitating medical condition and certification for the medical use of marijuana to treat that condition.</li></ol>
<b>BPL</b>	Bureau of Professional Licensing.
<b>caregiver (or primary caregiver)</b>	A person who is at least 21 years old and who has agreed to assist with a patient's medical use of marijuana and who has not been convicted of any felony within the past 10 years and has never been convicted of a felony involving illegal drugs or a felony that is an assaultive crime.
<b>COS</b>	consent order and stipulation.
<b>CRA</b>	Cannabis Regulatory Agency.
<b>effectiveness</b>	Success in achieving mission and goals.

<b>efficiency</b>	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
<b>FMG</b>	Financial Management Guide.
<b>ICHAT</b>	Internet Criminal History Access Tool.
<b>internal control</b>	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
<b>ISO</b>	International Organization for Standardization.
<b>IT</b>	information technology.
<b>LARA</b>	Department of Licensing and Regulatory Affairs.
<b>material condition</b>	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
<b>method validation</b>	The validated methodology used by a safety compliance facility to produce scientifically accurate results for each safety compliance test it conducts.
<b>MMFLA</b>	Medical Marihuana Facilities Licensing Act.
<b>MMMA</b>	Michigan Medical Marihuana Act.
<b>MMMP</b>	Michigan Medical Marijuana Program.
<b>MRTMA</b>	Michigan Regulation and Taxation of Marihuana Act.



<b>MSP</b>	Michigan Department of State Police.
<b>observation</b>	A commentary highlighting certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) presented in an audit finding.
<b>patient</b>	A person who has been diagnosed by a physician as having a debilitating medical condition.
<b>performance audit</b>	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
<b>principle of least privilege</b>	The practice of limiting access to the minimal level that will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.
<b>reportable condition</b>	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
<b>rewritten</b>	The recurrence of similar conditions reported in a prior audit in combination with current conditions that warrant the prior audit recommendation to be revised for the circumstances.
<b>RO</b>	Regulation Officer.
<b>System and Organization Controls (SOC) report</b>	Designed to help organizations that provide services to user entities build trust and confidence in their delivery processes and controls through a report by an independent certified public accountant (CPA).

Each type of SOC report is designed to meet specific user needs:

- SOC 1 (Report on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial

Reporting) - Intended for user entities and the CPAs auditing their financial statements in evaluating the effect of the service organization's controls on the user entities' financial statements.

- SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy) - Intended for a broad range of users that need information and assurance about a service organization's controls relevant to any combination of the five predefined control principles.

There are two types of SOC 1 and SOC 2 reports:

- Type 1 - Reports on the fairness of management's description of a service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description, as of a specified date.
- Type 2 - Includes the information in a type 1 report and also addresses the operating effectiveness of the controls to achieve the related control objectives included in the description, throughout a specified period.
- SOC 3 (Trust Services Report for a Service Organization) - Intended for those needing assurance about a service organization's controls that affect the security, availability, or processing integrity of the systems a service organization employs to process user entities' information, or the confidentiality or privacy of information, but do not have the need for or the knowledge necessary to make effective use of a SOC 2 report.
- SOC for Cybersecurity - Intended to communicate relevant information about the effectiveness of an organization's cybersecurity risk management programs.

**THC** tetrahydrocannabinol.

**TPSO** third-party service organization.





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