



# 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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