

# OFFICE OF AUDITS & ADVISORY SERVICES



## MEDICAL/RECREATIONAL MARIJUANA COMPLIANCE AUDIT

*FINAL REPORT*

Chief of Audits: Juan R. Perez  
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# County of San Diego

**TRACY M. SANDOVAL**  
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**JUAN R. PEREZ**  
CHIEF OF AUDITS

June 18, 2019

**TO:** Ha Dang, Agricultural Commissioner/Sealer Weights and Measures  
Agriculture, Weights and Measures

**FROM:** Juan R. Perez  
Chief of Audits

**FINAL REPORT: MEDICAL/RECREATIONAL MARIJUANA COMPLIANCE AUDIT**

Enclosed is our report on the Medical/Recreational Marijuana Compliance Audit. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "JRP", with a stylized flourish extending to the right.

**JUAN R. PEREZ**  
Chief of Audits

AUD:WA:nb

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use & Environment Group  
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller  
Renee Loewer, Group Finance Director, Land Use & Environment Group



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**JUAN R. PEREZ**  
CHIEF OF AUDITS

June 18, 2019

TO: Elise Rothschild, Director  
Department of Environmental Health

FROM: Juan R. Perez  
Chief of Audits

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## INTRODUCTION

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**Audit Objective** The Office of Audits & Advisory Services (OAAS) completed an audit of Medical/Recreational Marijuana Compliance. The objective of the audit was to evaluate procedures in place to ensure compliance with applicable legal requirements related to cultivation, processing, and distribution of marijuana.

**Background** The Medicinal and Adult-Use Cannabis Regulations and Safety Act (MAUCRSA), signed into state law in June 2017, established a regulatory framework for commercial cannabis operations in the state of California. MAUCRSA also tasked the three state cannabis licensing authorities with developing regulations that address specific aspects of the commercial cannabis market.

The Bureau of Cannabis Control: the lead agency in regulating commercial cannabis licenses for medical and adult-use cannabis in California. The Bureau is responsible for licensing retailers, distributors, testing labs, microbusinesses, and temporary cannabis events.

CalCannabis Cultivation Licensing: a division of the California Department of Food and Agriculture (CDFA), which ensures public safety and environmental protection by licensing and regulating commercial cannabis cultivators in California.

Manufactured Cannabis Safety Branch: a division of the California Department of Public Health, which is responsible for regulation of all commercial cannabis manufacturing in California.

MAUCRSA also established a dual licensing structure in which both the state and local governments participate in setting guidelines and public health standards for the industry. The state sets minimum requirements that all licensees must follow, and local governments are able to set additional requirements, including prohibiting the establishment and operations of both medical and non-medical marijuana facilities.

The County Board of Supervisors implemented a series of ordinances limiting the operations of cannabis operators within San Diego County. Ordinance No. 10462 effectively bans all medical and non-medical facilities, collectives, dispensaries, and collectives within unincorporated areas of San Diego County.

Despite the County ban, licensed cannabis businesses may still operate within incorporated areas of the County, as per State laws. County Departments, therefore, must ensure compliance with applicable legal requirements for licensed cannabis businesses within the entirety of San Diego County, if legally required to do so.

**Audit Scope & Limitations** The scope of the audit focused on the adequacy of controls in place to ensure Countywide compliance with MAUCRSA and other applicable legal requirements. The Public Safety Group and the Health and Human Services Agency were excluded from the scope. The time period of the review included administrative activity during fiscal year 2018-19.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

**Methodology** OAAS performed the audit using the following methods:

- Reviewed laws and regulations pertaining to the cultivation, manufacture, and distribution of cannabis products.
- Analyzed cannabis licenses issued by the three State cannabis licensing authorities.
- Inquired with California cannabis licensing authorities for clarification on cannabis regulation.
- Interviewed County management and staff regarding implementation of applicable legal requirements, public outreach, and expenditures.
- Reviewed and assessed documented policies and procedures supporting implementation of MAUCRSA and other applicable legal requirements.
- Analyzed cannabis related expenditures to ensure adequate segregation from Federal grant expenditures.

## AUDIT RESULTS

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**Summary** Within the scope of the audit, there is reasonable assurance that procedures are in place to ensure Countywide compliance with MAUCRSA and other applicable legal requirements.

### Office of Audits & Advisory Services

**C**ompliance    **R**eliability    **E**ffectiveness    **A**ccountability    **T**ransparency    **E**fficiency

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