

# OFFICE OF AUDITS & ADVISORY SERVICES

## SOCIALLY EQUITABLE CANNABIS PROGRAM

### *FINAL REPORT*



Chief of Audits: [Juan R. Perez](#)  
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JUAN R. PEREZ  
CHIEF OF AUDITS

October 28, 2024

TO: Dan McAllister  
Treasurer-Tax Collector

FROM: Juan R. Perez  
Chief of Audits

**FINAL REPORT: SOCIALLY EQUITABLE CANNABIS PROGRAM**

Enclosed is our report on the Socially Equitable Cannabis Program 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.

JUAN R. PEREZ  
Chief of Audits

AUD:AMJ:nb

Enclosure

c: Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group  
Tracy Drager, Auditor and Controller  
Brian Hagerty, Group Finance Director, Finance and General Government Group



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JUAN R. PEREZ  
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October 28, 2024

TO: Vince Nicoletti, Interim Director  
Planning and Development Services

FROM: Juan R. Perez  
Chief of Audits

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JUAN R. PEREZ  
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Enclosure

c: Dahvia Lynch, Deputy Chief Administrative Officer, Land Use and Environment Group  
Tracy Drager, Auditor and Controller  
Jennifer Lawson, Chief Operations Officer, Land Use and Environment Group  
Aimee Leighton, Group Finance Director, Land Use and Environment Group

## About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

## Statement of Auditing Standards

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.



# AUDIT OBJECTIVE & SCOPE

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The Office of Audits & Advisory Services (OAAS) has completed an audit of the Socially Equitable Cannabis Program (SECP). The objective of the audit was to assess the adequacy of processes established to implement the SECP including tax revenue collection, permitting, and the use of related revenues. The audit covered fiscal years (FY) 2021-22, 2022-23, and 2023-24.

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.

# AUDIT RESULTS

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In our opinion, there is reasonable assurance that adequate processes are being established to implement the SECP including tax revenue collection, permitting, and the use of related revenues. At the time of the audit, the SECP was still in development and is expected to be completed and open to applicants in the winter of FY 2025-26.

# BACKGROUND

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Effective November 2016, Proposition 64: The Adult Use of Marijuana Act (AUMA) legalized personal use and cultivation of marijuana for adults 21 years and older. The proposition also introduced regulations for licensing and taxation of marijuana use, authorizing individuals with a state license to engage in adult-use cannabis in accordance with local ordinances. In January 2018, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) consolidated the regulation and licensing of both adult-use and commercial medicinal cannabis. This act also established the California Cannabis Equity Act of 2018, enabling eligible local jurisdictions to apply for grants to support local equity applicants and licensees through local equity programs.

In 2021, the County of San Diego introduced the SECP, aimed at addressing the injustices stemming from the War on Drugs. In January 2021, the Board of Supervisors tasked the Chief Administrative Officer (CAO) with developing a Cannabis Permitting Program for the County focused on social equity, access, and business opportunities. Subsequently, on March 3, 2021, the Board of Supervisors directed the Office of Equity and Racial Justice (OERJ) to lead the framework and development of the SECP in coordination with Planning and Development Services (PDS) to establish a permitting system.

# METHODOLOGY

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OAAS performed the audit using the following methods:

- The audit focused on SECP processes conducted by the OERJ, PDS, and Treasurer-Tax Collector (TTC).
- Researched County ordinances and state laws to ensure stakeholder compliance.
- Reviewed SECP revenues and expenses to ensure the appropriate funds were spent on the development of a SECP.
- For the five current Cannabis businesses within the County's jurisdiction:
  - a) Reviewed financial records to ensure businesses were paying taxes appropriately.
  - b) Verified businesses were registered with the TTC and all registration records were up to date.
  - c) Verified validity of state licenses and county permits.
  - d) Evaluated if safety and compliance regulations were being scrutinized and documented during facility walkthroughs
  - e) Identified if there is a system in place to ensure that cannabis dispensaries do not allow underaged people in the building.
  - f) Confirmed if there is a system in place to track if safety concerns and violations were being reported, escalated, and resolved timely and appropriately.