

Table C1
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed the laws, rules, and regulations related to the Grant Program and state cannabis licenses.</p>
<p>2 Assess progress toward the goals of the Grant Program by determining the following for each of the 17 grantees:</p> <p>a. The amount and percent of grant funds used as of December 31, 2022.</p> <p>b. The number of provisional state licenses and the number of annual state licenses as of January 1, 2021, 2022, and 2023.</p>	<ul style="list-style-type: none"> • Obtained and analyzed financial reports from the 17 grantees to determine the amount of grant funds received and used as of December 31, 2022. • Interviewed grantee staff and reviewed relevant documentation to evaluate safeguards over the grant funds. • Judgmentally chose a non-statistical selection of expenditures from the grantees' financial reports. Interviewed staff, reviewed the grant agreements and applicable laws, and analyzed relevant documentation to determine the allowability of these expenditures. We identified certain weaknesses in three grantees' supporting documentation that called into question the allowability of their expenditures, and we separately communicated our concerns to their management. We also found that one grantee used an insignificant amount of grant funds for a purpose that was not allowable. After we raised our concerns about the expenditure, the grantee reimbursed the expenditure with another source of funding. <p>Evaluated data from the three cannabis licensing systems to identify when the State issued provisional and annual state licenses to businesses in each of the 17 jurisdictions. Because the manufacturing licensing system does not capture the date when a license transitioned from provisional to annual, we were unable to tell whether certain manufacturing licenses were provisional or annual on January 1, 2021. When DCC became responsible for cannabis licensing in July 2021, it started generating monthly reports from the manufacturing licensing system to track which licenses had transitioned from provisional to annual. We relied upon these reports to identify the number of provisional and annual manufacturing licenses as of January 1, 2022, and January 1, 2023.</p>
<p>3 For a selection of grantees, obtain the grantee's perspective on which actions helped to streamline its permitting process, why they have not made more progress, and how they plan to address the issues they describe in their grant applications.</p>	<ul style="list-style-type: none"> • Using the February 2023 biannual report data submitted to DCC, judgmentally selected six grantees—the counties of Humboldt, Lake, and Trinity, and the cities of Commerce, Los Angeles, and Santa Rosa—based on the amount of grant funds spent and the rate that provisional license holders obtained annual state licenses. • Interviewed staff at each of the six selected grantees and reviewed their February 2023 and August 2023 biannual reports to determine which actions helped them streamline their permitting processes, why they have not made more progress, and how they plan to address the issues they describe in their grant applications.
<p>4 Determine if DCC is processing applications for annual state licenses from these 17 grantees in a timely manner and whether any patterns exist in terms of grantees that have had a large percentage of applications rejected.</p>	<ul style="list-style-type: none"> • Evaluated data from the three cannabis licensing systems to determine how much time passed from the date a business was issued a provisional license to the date it was issued an annual state license. • Interviewed DCC staff about how DCC processes applications and the factors that may contribute to its long processing times and differences among the processing times for the grantees' jurisdictions.

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AUDIT OBJECTIVE	METHOD
<p>5 Assess DCC's oversight and administration of the Grant Program, including its controls to ensure funds are spent appropriately and its measures of success for the program.</p>	<ul style="list-style-type: none">• Identified amendment requests submitted by grantees in 2022 and calculated the amount of time it took DCC to approve or deny the requests. Interviewed staff at DCC concerning the causes of any excessive processing times.• Interviewed staff and reviewed relevant documentation concerning DCC's process for monitoring grant expenditures to determine whether DCC ensures that the grantees use the grant funds for allowable purposes.• Reviewed the biannual report templates and instructions DCC provided to the grantees as well as the August 2022 and February 2023 biannual reports submitted by grantees to determine whether the biannual report data allow DCC to measure the effectiveness of the Grant Program.• Interviewed DCC staff to obtain perspective on DCC's plans to measure the Grant Program's success.• Obtained financial documentation showing how DCC is spending its appropriation for administering the program to determine whether its expenditures are allowable and whether it used these funds effectively.

Source: Audit workpapers.