



Report Highlights

Marijuana Enforcement Division

Department of Revenue • Performance Audit • July 2023 • 2255P

OFFICE OF THE STATE AUDITOR

C O L O R A D O

Key Concern

The Marijuana Enforcement Division (Division), within the Department of Revenue (Department), could improve its processes for prioritizing retail marijuana store inspections, taking enforcement action when investigations identify evidence that marijuana laws and rules may have been violated, and procuring its seed-to-sale marijuana inventory tracking system.

Key Findings

- Between Fiscal Years 2019 and 2022, the Division did not inspect 36 percent of newly-licensed retail marijuana stores (40 out of 112 newly-licensed stores) within 1 year of approving those licenses; Division policy states that it will strive to inspect them all within 1 year of licensure.
- The Division did not conduct targeted inspections on some businesses that met risk factors. Between Fiscal Years 2019 and 2022, the Division did not inspect 182 of the 567 licensed retail marijuana stores (32 percent) that appeared on at least one monthly targeted inspection report because they had never been inspected or had not been inspected within the past 2 years. Of the 182 stores, 75 were stores that had never been inspected, while the Division inspected other stores multiple times, such as one store the Division inspected 19 times during that 4-year period.
- The Division completed at least one underage compliance check for 554 of the 629 (88 percent) retail marijuana stores after the stores appeared on at least one monthly underage compliance check report during the period reviewed. The other 75 stores did not undergo an underage compliance check after appearing on a report that identified them as a priority due to risk.
- Division investigators did not consistently cite retail marijuana stores for all violations associated with marijuana sales to underage individuals. Of the seven stores reviewed that were cited for selling marijuana to an underage operative, only six were also cited for failing to verify the operative’s age, five were cited for allowing the operative into a restricted access area where marijuana is sold, and three were cited for transferring marijuana to a customer without a valid ID. Typically, underage marijuana sales should be a violation of each of these regulatory requirements.
- The Division did not pursue any disciplinary action against the stores for 23 of 44 violations of marijuana laws and rules that affected public safety (e.g., violations associated with marijuana sales to underage individuals and inventory tracking issues) in our sample.
- The Department’s documentation justifying its decision to award a sole source contract in 2018 for the ongoing support, licensing, and hosting of the METRC system did not address why METRC was the only system on the market that could meet the Department’s needs and why the Department did not need to pursue a competitive bidding process, as required.

Background

- In 2012, Colorado voters approved Amendment 64, which authorized personal use of marijuana, also referred to as “retail marijuana.” Adults age 21 and older can purchase retail marijuana at licensed stores.
- The Division is responsible for regulating Colorado’s retail marijuana industry, including issuing business licenses, inspecting marijuana stores, investigating alleged violations of marijuana laws and rules, and pursuing enforcement actions.
- The Division conducts targeted inspections that focus on specific compliance components of a licensed store’s premises, as well as underage compliance checks that involve operatives under 21 years old who attempt to buy marijuana from a licensed retail store. To help prioritize its investigations, the Division generates monthly targeted and underage compliance check reports listing stores that may be at greater risk of noncompliance with marijuana laws and rules.
- METRC is the Department’s system that tracks regulated marijuana from either the seed or immature plant stage until the regulated marijuana or regulated marijuana product is sold.

Recommendations Made

6

Responses

Agree: 6

Partially Agree: 0

Disagree: 0