CANNABIS REGULATORY AGENCY

FCS Resource

Notice of Deficiency (NOD) Instructions for Annual Financial Statements (AFS)

The purpose of this resource is to provide instructions on what an NOD is and how to respond to NODs for the AFS.

What is an NOD?

An NOD is an inquiry or series of inquiries sent to the authorized contact person(s) (ACP) when the AFS report was found to be deficient and/or when items require further clarification. The ACPs are those contacts indicated by the licensee on the AFS Contact Authorization Form for the fiscal year. An NOD will come directly from CRA-AFS@michigan.gov.

Deficiencies are not disciplinary in nature. The number of deficiencies should not be taken as an indication that the CPA or the licensee has necessarily done something wrong. The CRA will continue to work with the licensee until all deficiencies are resolved, so long as the licensee is responding timely.

How do I resolve an NOD?

The ACP must coordinate with the licensee and/or certified public accountant (CPA) to resolve deficiencies in a timely manner. Resolution may require an explanation, additional documentation, or, in limited circumstances, the CPA may have to make corrections/modifications to the AFS. If the AFS is corrected or modified, the date of the report should reflect the date of the newly issued report.

<u>It is extremely important that the ACP provides clear and complete responses to avoid continued follow-up NODs</u>.

How long do I have to respond to an NOD?

Your response to an NOD must be received within the allotted timeframe given by the CRA after notification that further information is needed to document or clarify your AFS. It is our desire to quickly address deficient items so that review may be completed quickly and efficiently for the licensee and CRA.

What happens if I don't respond to an NOD within the requested time?

Failure to correct an AFS deficiency within the allotted timeframe given by the CRA after notification may result in disciplinary action or a Final Notice of Deficiency. If additional time is required to correct a deficiency, the licensee may request an extension in writing by contacting their assigned analyst. Please note that a request is a "request" and does not mean it will be automatically approved.

Please note: Licensees are under a continuing duty to provide information requested by the CRA and to cooperate in any investigation or inquiry. Failure to correct an AFS deficiency by the deficiency due date indicated above may result in possible disciplinary action for failure to respond to an inquiry or investigation. Additionally, without further information, CRA will rely upon the available information which may result in further investigation by CRA Enforcement Division.

What is the format of the NOD?

The NOD is a fillable Excel document. Previous email responses were sometimes incomplete and/or disconnected from the original emailed questions. The Excel document will provide a comprehensive record of CRA inquiries and licensee responses. The updated NOD is intended to ensure all deficiencies are answered and no deficiency is left blank. All deficiencies must be provided within the new NOD formatting and must not be edited or saved utilizing any 3rd party software (e.g., Google Sheets) prior to its submission to CRA.

How do I complete the NOD?

The NOD must be answered in the template that has been sent by the FCS analyst. No response will be accepted in any other format (e.g., by an email, word document, or pdf). There are places for each response to the inquiries.

The NOD is structured like the AFS report, with a sheet for each required sheet of the AFS report. You will only see a sheet (tab) for an AFS report sheet if that page or schedule was deficient in some way. All cells will be locked by the FCS Analyst except for the cells that require a response from the ACP.

Each NOD will contain the following:

Information Sheet:

The information sheet will be completed by the Financial Compliance Section (FCS) financial analyst that has been assigned to the Annual Financial Statement:

- Date: This will include the date that the Notice of Deficiency was sent to the AFS authorized contacts by the FCS analyst.
- Licensee Name: This will include the licensee's official business name.
- AFS Record Number: This will include the licensee's AFS Record Number.
- Fiscal Year Report: This will include the fiscal year that the AFS covers.
- Reporting Period: This will include the full reporting period that the AFS covers.
- Notice of Deficiency Due Date: This will include the date that the Notice of Deficiency must be completed and uploaded to Accela. The NOD must be received by 11:59 p.m. on the due date to be considered timely (unless identified differently (Ex: NOD is due on 1/10 by 2:00pm)).

Schedules:

At the top of each sheet there will be a cell that states "Response By:" and "Name:".

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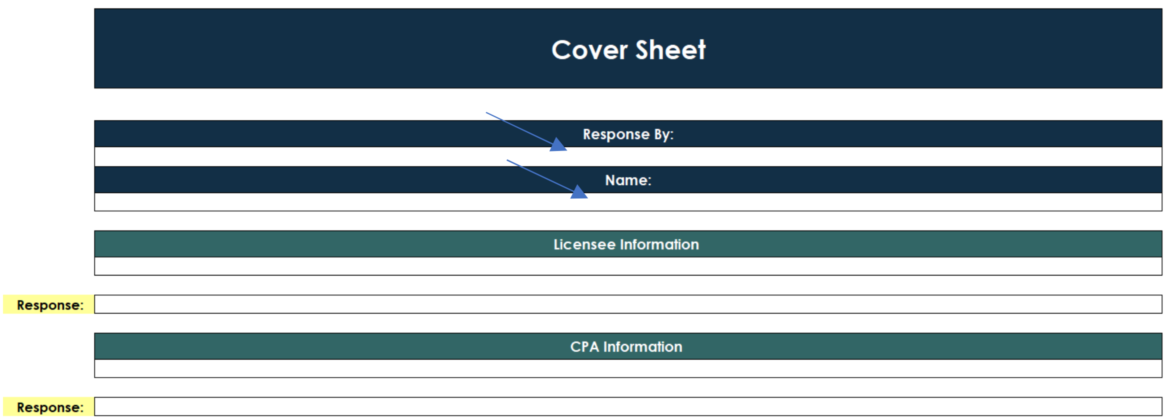
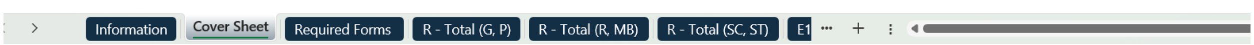
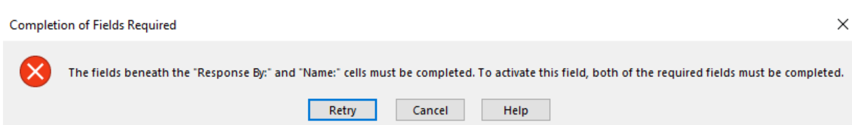
- Under the “Response By:” cell, use the drop-down list to choose either CPA Contact or Licensee Contact.
- Under the “Name:” cell, please fill in the full name (first and last) of the individual that is answering the inquiries on the sheet (If an alternate individual responds to one of the questions below, please identify that individual in your response).

**If these boxes are not completed first, you will not be able to complete the “Response” cell. An error message will pop up; please click cancel and fill out the “Response By” and “Name” cells first. See example below.







The green “header” cells that follow the “Response By” and “Name” headers, follow the same format as the respective parts on the AFS Report for that sheet. The inquiry under that header correlates to that specific part or section on the AFS Report. Example provided below.

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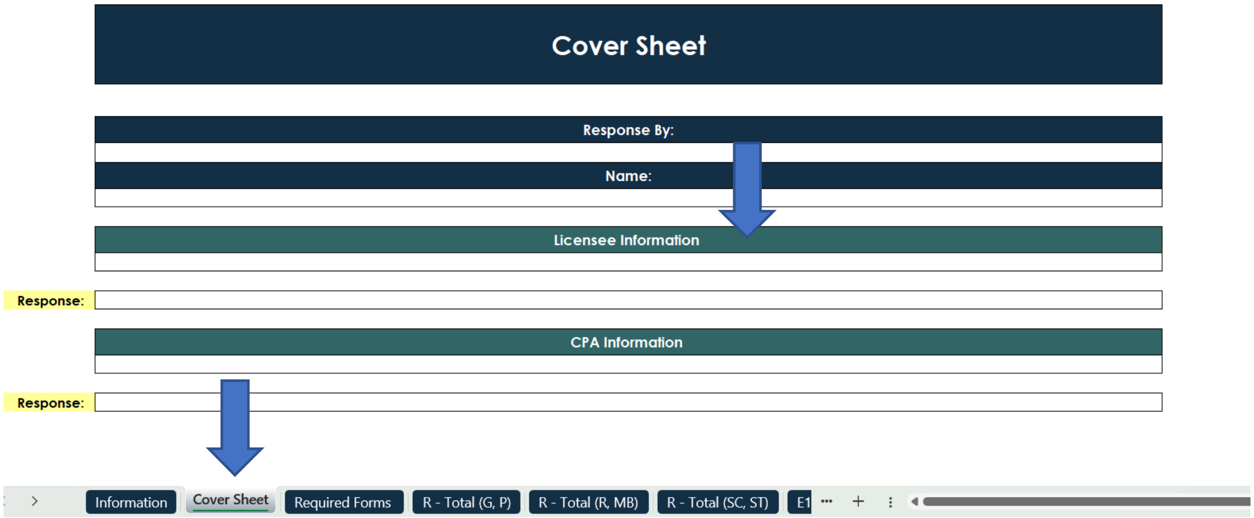
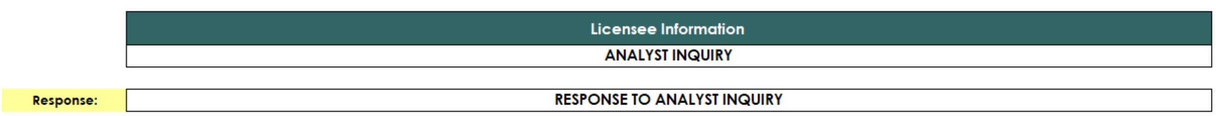


The questions/inquiries to which the ACP must respond will be listed under “ANALYST INQUIRY”. To answer each inquiry the ACP will click into the box below the “RESPONSE TO ANALYST INQUIRY” cell and provide a clear and complete response to the question posed or indicate the documentation that addressed the inquiry in the cell and provide the documentation as instructed below. The cell will expand as needed to accommodate your response. You will not be able to add additional cells.



The “RESPONSE TO ANALYST INQUIRY” must contain a response or the NOD response will be incomplete, and a follow-up NOD will be sent repeating the inquiry.

How do I return my responses to the NOD?

Please respond by uploading the Excel NOD and any documentation or requested items to your **AFS record** in your Accela Citizen Access (ACA) account at www.michigan.gov/craonline or by emailing CRA-AFS@michigan.gov. **If emailing the requested items, please reference the licensee’s name and AFS record number in the email subject line.**

How do I upload documents to ACA?

1. To begin the NOD response process, Go to the online portal. [Link to Online Portal](#).
2. Enter User Name or E-mail of an account that has access to the AFS record for which you are seeking to submit an NOD response.
    a. If you do not have an online account or are unable to access the AFS record for which are seeking to submit an NOD response, please contact CRA-AdultUseRenewals@michigan.gov to request assistance gaining online access.

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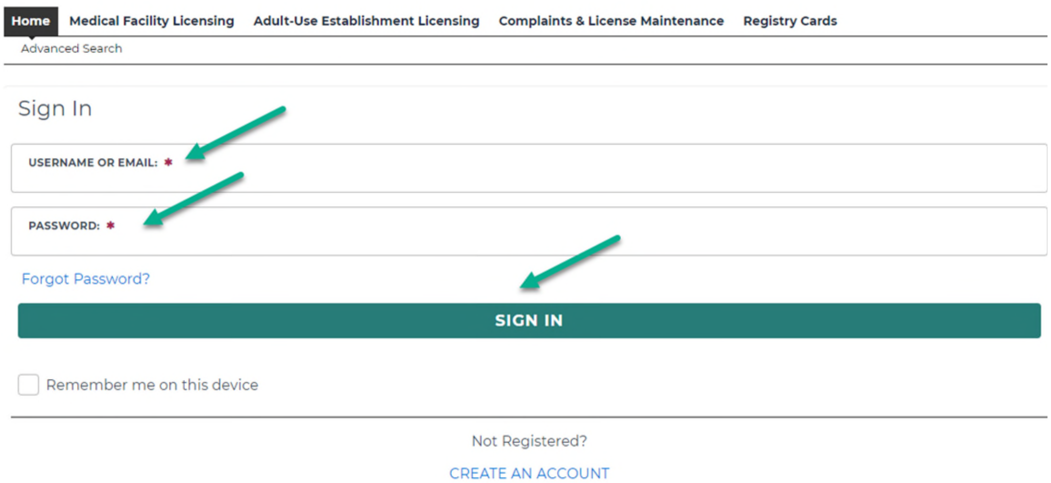
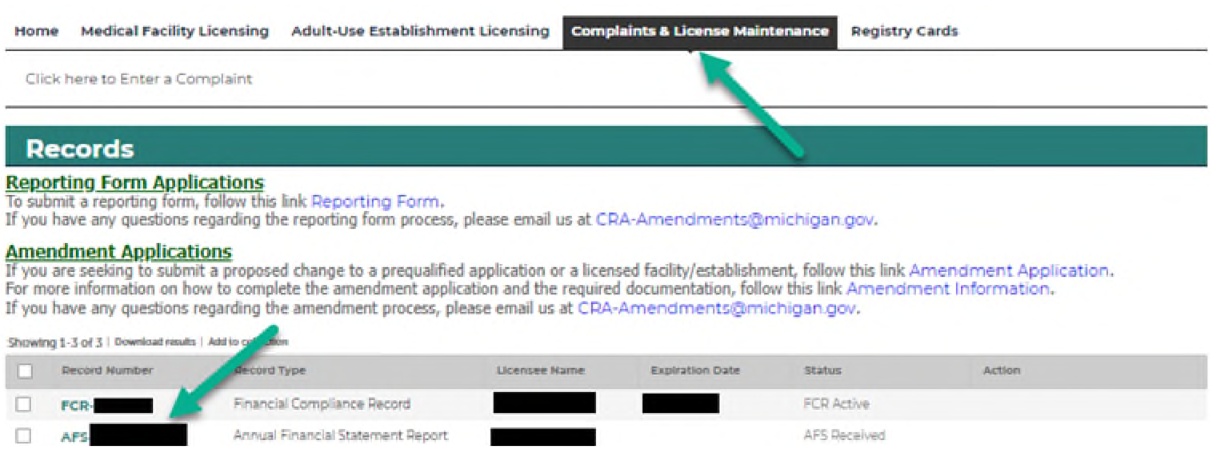
3. Enter Password.
4. Select Login.



5. Select Complaints & License Maintenance.

6. Find the AFS record for which you are trying to submit an NOD response (found on the information sheet of the NOD) and click on the record number.



7. Click on Record Info, then Attachments.

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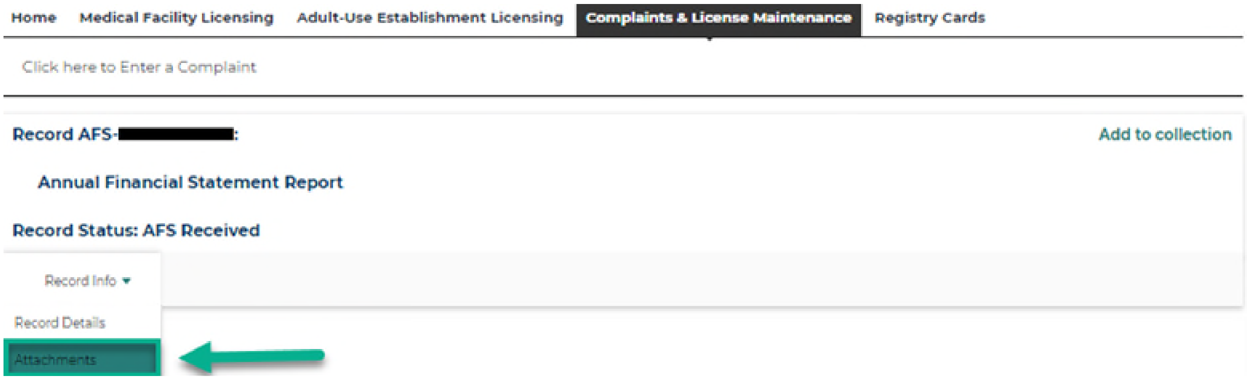

8. To attach documents, click Add, then click Add again on the File Upload pop-out window, and select the documents you wish to upload.

9. When uploading to your AFS record, use the following categories:

Document Category	Reason for Use
AFS Clarification	NOD Responses, All clarification, Explanations, etc.
AFS Report	AFS Reports
Contact Authorization Form	Contact Authorization Form
Expenditures Supporting Documents	Invoices, Receipts, Checks, Ledgers, Real Property Agreements, Financing Agreements, Management Agreements, Licensing Agreements, Contracts, etc.
Other	Any other supporting documents relating to the AFS Report
Ownership Supporting Documents	Operating Agreement, Bylaws, Disbursement Checks, etc.
Distribution Supporting Documents	W2s/1099s, Employee Benefit/Bonus Plan, Copies of Payments Made
Removal of Authorized Contact Person Form	Removal of Authorized Contact Person Form
Revenue Supporting Documents	Reconciliation Documents, METRC Reports, Purchase/Wholesale Orders, Manifest, Invoice etc.

For questions regarding the AFS NOD, please email CRA-AFS@michigan.gov or contact the CRA by phone at 517-284-8599. For more information about the Annual Financial Statement or the Financial Compliance Section, please visit michigan.gov/afs.