



Required Agreed-Upon Procedures FY19

The following agreed-upon procedures are required for the Annual Financial Statement for fiscal year 2019, as further explained in the advisory bulletin dated October 3, 2019.

1. Randomly select two (2) revenue sales transactions from the METRC system for each month of operation in the reporting period.
 - a. Trace and compare revenue per METRC to underlying corroborating documentation.
 - b. Trace and compare revenue per METRC to revenue recorded in the general ledger.

Provide a Schedule of Revenue for the transactions selected. The Schedule must, at a minimum, adequately document the transactions traced, reflect the documentation relied upon for corroboration, and reference the general ledger entries.

2. Randomly select two (2) cash disbursements for each month of operation in the reporting period. Trace and compare the disbursement amounts and the period of service per the general ledger to underlying corroborating documentation.

Provide a Schedule of Expenses for the disbursements selected. The Schedule must, at a minimum, adequately document the disbursement traced, indicate to whom the disbursement was made, reflect the documentation relied upon for corroboration, and reference the general ledger entries.

3. Obtain the quarterly Form 941 payroll tax reporting.
 - a. Trace and compare total wages reported on Form 941 to payroll expense per the general ledger.
 - b. Trace and compare the tax liability amounts reported on Form 941 to tax payments remitted to the federal government, and trace and compare the tax payments to bank statements or other evidence that payment was remitted.

Provide a Schedule of Payroll Tax. The Schedule must, at a minimum, include each calendar quarter date for which payroll taxes were due, the total wages paid for each quarter, the amount of tax liability for each quarter, a description of the type of corroboration used to document the taxes were paid for each quarter, and whether the payroll tax was remitted within 30 days after the end of the calendar quarter.

4. If the licensee has 100 employees or less, randomly select five (5) individuals on whom the licensee performed a background check who were subsequently chosen as employees or contractors. If the licensee has more than 100 employees, randomly select 5% of the individuals on whom the licensee performed a background check who were subsequently chosen as employees or contractors.
 - a. Inquire as to whether the individuals selected are considered by the company to be employees or contractors.
 - b. For those that are employees, obtain and inspect the employees' W-2 form and document their title.
 - c. For those that are contractors, obtain and inspect the contractors' Form 1099, document their title, date of engagement, date of termination of engagement, and hours worked for the company.

Provide a Schedule of Individuals for the individuals selected. The Schedule must, at a minimum, document the total number of persons for whom the licensee performed a

background check who were subsequently retained as employees or contractors, the individuals selected, their title, the document reviewed and the tax year of the document.

5. Inquire of and obtain from management a listing of all equity owners of the licensee and their respective ownership.
 - a. Identify and list all disbursements recorded through equity and compare the allocation of disbursements to the respective ownership interest of each equity owner of more than 10%.
 - b. Identify and list all disbursements recorded through equity and compare the allocation of disbursements to the collective interests of equity owners of 10% or less. List the total number of equity owners, the date of each disbursement to those owners, and the total collective amount of each disbursement made to those owners.

Provide a Schedule of Ownership and Distributions. The Schedule must, at a minimum, include the name of each equity owner of more than 10%, the percentage interest owned, the date of each distribution, and the amount of each distribution. If the equity owner of more than 10% is a trust, the schedule must also trace the distributions from the trust to each beneficiary or payee allowed by the trust and include the date and amount of each distribution. For disbursements made to equity owners of 10% or less, list the total number of equity owners for each distribution, the date of each distribution, and the total collective amount of the distribution made to those owners. Inquire of and obtain from management a listing of all licensing agreements that were effective at any time during the reporting period.

6. In tracing the requirements for this procedure, all licensing agreements should be traced if there are no more than 5 licensing agreements effective at any time in the reporting period. If there are more than 5 licensing agreements effective at any time in the reporting period, randomly select 25% of the licensing agreements, but no less than 5 licensing agreements for each licensee.
 - a. Trace and compare sales of the product(s) licensed under the licensing agreement per METRC to underlying corroboration.
 - b. Trace and compare the licensing agreement payment terms with the amount paid to the licensor per the sales of the product identified in 6a.
 - c. Trace and compare all payments made to the licensor during the reporting period to the findings of 6a and 6b.

Provide a Schedule of Licensing Agreements for the licensing agreements identified. The Schedule must, at a minimum, indicate the total number of licensing agreements that were effective at any time during the reporting period and for each licensing agreement selected, list the name of the licensor, the date and title of the agreement, a description of the products subject to the agreement, the payment terms of the agreement (ex. \$20 per piece), the number of products for which payment was made, and the total amount paid to the licensor during the reporting period.

7. For provisioning centers only, obtain quarterly excise tax reporting for each calendar quarter for gross retail receipts from August 1, 2018 through March 6, 2019.
 - a. Trace and compare the gross receipts reported per METRC for each quarter to the gross receipts reported to Michigan Department of Treasury (Treasury) for that respective quarter.

- b. Trace and compare the tax liability amounts reported to Treasury to the tax payments made to Treasury from tax receipts, bank statements, or other evidence that tax was remitted.

Provide a Schedule of Excise Tax. The Schedule must, at a minimum, include each calendar quarter date for which excise taxes were due, the gross retail receipts for each quarter, the amount of tax liability for each quarter, a description of the type of corroboration used to document the taxes were paid for each quarter, and whether the excise tax was remitted within 30 days after the end of the calendar quarter.

The Marijuana Regulatory Agency Medical Facilities Licensing Section may be contacted via email at MRA-Applications@michigan.gov or by phone at 517-284-8599.