



MRA Tips for Licensees

September 30, 2021

Accounting and Recordkeeping Best Practices

These accounting and recordkeeping best practices are being provided to licensees to address recommendations from the annual financial statement (AFS) workgroups. Following these best practices will aid the licensee and certified public accountant (CPA) when preparing the AFS.

Accounting System

- Consult a CPA to assist in creating an accounting system to accurately document business revenue and expenses.
- Research, select, and maintain accounting software that compliments your accounting system.
 - Accounting programs are generally easier to maintain and are more user-friendly than maintaining Word documents or Excel files.
 - Some programs offer better tracing to original documents and provide better points of reference.

Recordkeeping – Internal Records

- Keep detailed and thorough records of all business revenue and expenses to monitor your business fully and accurately throughout the year.
- Maintain separate records for medical and adult-use licenses, even those co-located to aid in preparation of separate medical and adult-use AFS.

The purpose of this bulletin is to provide guidance for licensees. It does not constitute legal or accounting advice and is subject to change. Licensees are encouraged to seek legal counsel or counsel from a certified public accountant to ensure their financial operations comply with the Medical Marijuana Facilities Licensing Act, the Michigan Regulation and Taxation of Marijuana Act, and the associated administrative rules.

- An AFS report is required for each legal entity that holds a marijuana license. Legal entities that share a centralized corporate management function should clearly allocate expenses to each licensee.
- Maintain a cash log that records incoming and outgoing cash.
- Maintain all business source documents (e.g. receipts, invoices, purchase orders) in an organized manner (per federal tax guidelines, maintain for 7 years).
- Identify vendors and customers consistently in your records.
- Identify licensees by their legal name in your records to avoid confusion.

Recordkeeping – Electronic Records

- Backup files electronically, if possible.
- Scan all original documents, including receipts and invoices and maintain a copy in a separate location to ensure a safe and secure backup of all relevant information.

Personal Items

- Refrain from mixing personal and business transactions together (e.g., paying personal expenses with a business credit card, paying business expenses with a personal credit card, using petty cash to purchase personal items)

METRC and Internal Licensee Records

- METRC transactions and underlying support in the general ledger be consistent.
- If the price of a product is unknown at the time of transfer, licensees should maintain documentation (e.g., agreements, invoices) to enable you to reconcile general ledger revenue with METRC revenue in your AFS.

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- Perform monthly reconciliation of METRC sales to revenue in the general ledger and point-of-sale system (if applicable) and document the reason for any discrepancies.
- Ensure that all manifests accurately reflect the correct license numbers of the licensees involved in the transfer.
 - Medical transfers of medical product must be between medical licensees.
 - Adult-use transfers of adult-use product must be between adult-use licensees.
- Invoicing that references manifests, tags, or other identifying product information may aid in reconciliation between METRC and the general ledger.

For questions regarding these tips, please email CRA-AFS@michigan.gov or contact the Financial Compliance Section by phone at 517-284-8599. For more information about the Cannabis Regulatory Agency, please visit www.michigan.gov/CRA.

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