

A Performance Audit of the
**Utah Medical
Cannabis
Program**

A Review of Inspections, Enforcement,
and Board Determinations

Office of the Legislative
Auditor General

Report to the UTAH LEGISLATURE



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Audit Staff

Kade R. Minchey, Auditor General, CIA,
CFE

Jesse Martinson, Manager, CIA

McKenzie Cantlon, Audit Supervisor

Dru Faldmo, Audit Intern

Kitty Mui, Audit Intern

Office of the Legislative Auditor General

olag.utah.gov





Office of the Legislative Auditor General

Kade R. Minchey, Legislative Auditor General

W315 House Building State Capitol Complex | Salt Lake City, UT 84114 | Phone: 801.538.1033

Audit Subcommittee of the Legislative Management Committee
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November 18, 2025

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report:

“A Performance Audit of the Utah Medical Cannabis Program” [Report #2025-26].

An audit summary is found at the front of the report. The scope and objectives of the audit are included in the audit summary. In addition, each chapter has a corresponding chapter summary found at its beginning.

[Utah Code 36-12-15.3\(2\)](#) requires the Office of the Legislative Auditor General to designate an audited entity’s chief officer. Therefore, the designated chief officer for Utah Department of Agriculture and Food is Commissioner Kelly Pehrson. Commissioner Pehrson has been notified that they must comply with the audit response and reporting requirements as outlined in this section of *Utah Code*.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

Kade R. Minchey, CIA, CFE

Auditor General

kminchey@le.utah.gov



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PERFORMANCE AUDIT

AUDIT REQUEST

The Legislative Audit Subcommittee prioritized an audit of the Department of Agriculture and Food's Specialized Products Division. The audit focused on inspection processes, enforcement actions, and board determinations of the Medical Cannabis Program.

BACKGROUND

The Medical Cannabis Program is designed to ensure safe and regulated access to medical cannabis for Utah patients. Utah's Department of Agriculture and Food houses the Specialized Products Division, which oversees the medical cannabis, industrial hemp, and kratom programs. The Medical Cannabis Program regulates the establishments that produce and distribute medical cannabis. The Cannabis Production Establishment and Pharmacy Licensing Advisory Board makes determinations on licensing for establishments participating in the program.



KEY FINDINGS

- ✓ 1.1 The Medical Cannabis Program Should Continue to Focus its Inspection Process on Areas of High Risk
- ✓ 1.2 Enforcement Actions Primarily Address Regulatory Violations Rather Than Public Safety Risks
- ✓ 2.1 The Cannabis Production Establishment and Pharmacy Licensing Advisory Board Is Largely a Rubber Stamp on Licensing Oversight



RECOMMENDATIONS

- ✓ 1.1 We recommend the Medical Cannabis Program staff should continue to standardize its inspection tools and procedures among inspection staff to ensure consistency across inspection types. The program should provide standard checklists and processes to the inspection team to determine compliance concerns.
- ✓ 1.2 We recommend the Medical Cannabis Program should categorize violation infractions by severity to determine compliance trends for program license holders. The program should utilize *Administrative Rule* violation categories and integrate them into inspection reporting tools. This change is expected to improve the program's ability to identify patterns in noncompliance and support data-driven decision making to enhance regulatory oversight.
- ✓ 2.1 We recommend the Cannabis Production Establishment and Pharmacy Licensing Advisory Board establish a decision framework for all licensing determinations. The framework should include thresholds and criteria for determination, to ensure transparency and consistency in licensing and application decisions.



REPORT SUMMARY

Utah's Medical Cannabis Program Should Continue to Align its Enforcement Process to Identify Public Safety Risks

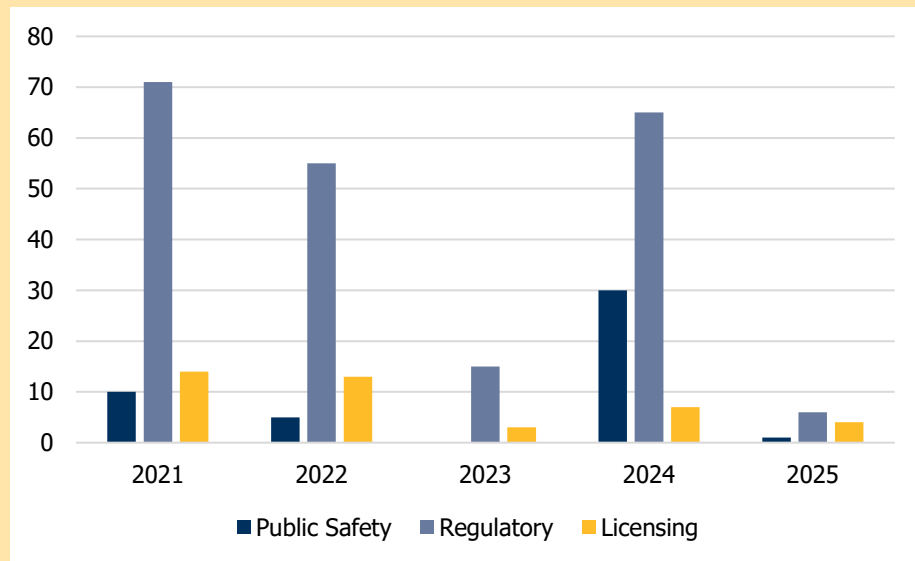
The goal of Utah's program is to provide safe, regulated access to medical cannabis for qualifying patients while maintaining oversight to ensure public and patient safety. Since its inception, the Medical Cannabis Program has faced the challenge of balancing these objectives within an evolving regulatory framework. We recommend the program continue to standardize its inspection process and track the severity of compliance violations to determine trends in regulatory concerns.

The Licensing Board Reviewing Utah's Medical Cannabis License Holders Demonstrates Limited Effectiveness

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board is meant to consider operational and compliance information on license holders to determine if they should continue operating in the state's Medical Cannabis Program. However, the licensing board lacks a formal framework to inform decisions on licensing determinations. Based on observations, documentation review, and the fact that the licensing board unanimously approved 99 percent of the actions brought before it, we believe this board is largely a rubber stamp on licensing oversight

The Program's Citation Enforcement Actions Are Largely Related to Regulatory Noncompliance, with Fewer Actions Related to Public Safety Concerns.

Citation violations were categorized in three categories according to *Administrative Rule*: public safety, regulatory, and licensing. Auditors categorized nearly 300 citation infractions from 2021 through 2025 by severity.

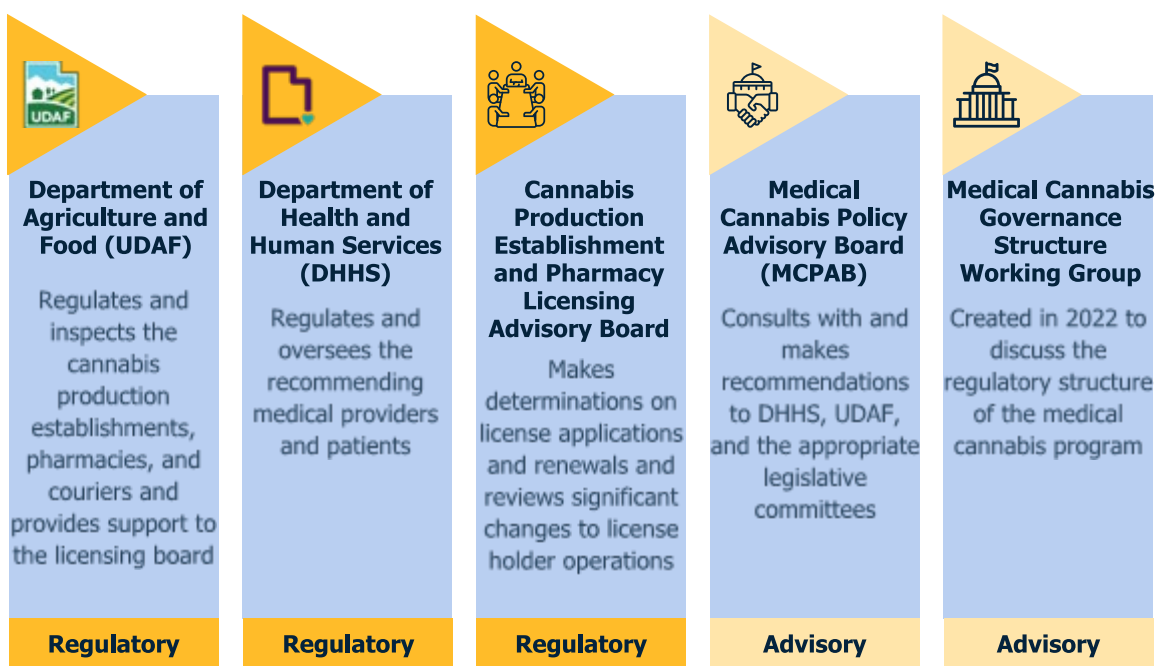




Introduction

In November 2018, Utah voters approved Proposition 2, establishing a state-run Medical Cannabis Program (program). Proposition 2 allowed for the production, distribution, and patient use of medical cannabis. Following the approval of Proposition 2, the Utah Legislature passed HB 3001, the Utah Medical Cannabis Act, replacing the voter approved Proposition 2 language. The goals of the Medical Cannabis Program center on public and patient safety. They include providing access to safe medical cannabis for patients, protecting consumers, and preventing diversion. The program ensures product safety by regulating medical cannabis cultivators, processors, and pharmacies.

The Utah Department Agriculture and Food (UDAF) and the Utah Department of Health and Human Services (DHHS) are the primary governing entities of the Medical Cannabis Program, but multiple other bodies have regulatory or advisory roles.



*Utah Code*¹ governs the patients who use medical cannabis, the medical providers who recommend it, and the businesses that produce or distribute it.

¹ *Utah Code* 26B-4-2 Cannabinoid Research and Medical Cannabis and *Utah Code* 4-41a Cannabis Production Establishments and Pharmacies



These businesses must be licensed by UDAF to operate. The licenses are split into five categories:

- *Cultivation facilities*: Grow the cannabis plant.
- *Processing facilities*: Manufacture medical cannabis products.
- *Independent cannabis testing laboratories*: Test the contents of products.
- *Pharmacies*: Sell medical cannabis and devices to patients.
- *Couriers*: Deliver medical cannabis to patients.

DHHS is responsible for regulating patients and providers. UDAF oversees the production and distribution of medical cannabis by regulating cultivation, processing, pharmacies, and testing laboratories. At the beginning of the program, DHHS was tasked with regulating the pharmacies and couriers, but in 2023, that authority was transferred to UDAF.

While statute outlines requirements for cannabis establishments, UDAF also has rulemaking authority to further regulate license holders. UDAF houses the Specialized Products Division, which oversees the Medical Cannabis Program in addition to the Industrial Hemp and Kratom Programs.

This audit reviews the regulatory framework and governance of Utah’s Medical Cannabis Program. The following chapters examine the program’s shortcomings and opportunities for improvement:



Utah’s Medical Cannabis Program Should Continue to Align its Enforcement Process to Identify Public Safety Risks



The Licensing Board Reviewing Utah’s Medical Cannabis License Holders Demonstrates Limited Effectiveness



BACKGROUND

The Utah Department of Agriculture and Food (UDAF) ensures product safety and compliance in Utah's Medical Cannabis Program by regulating medical cannabis cultivators, processors, and pharmacies throughout the state. The program monitors compliance and safety through its inspection process.

FINDING 1.1

The Medical Cannabis Program Should Continue to Focus Its Inspection Process on Areas of High Risk

RECOMMENDATION 1.1

The Medical Cannabis Program staff should continue to standardize its inspection tools and procedures among inspection staff to ensure consistency across inspection types. The program should use inspection data to identify trends in inspection areas to inform compliance concerns.

FINDING 1.2

Enforcement Actions Primarily Address Regulatory Violations Rather than Public Safety Risks

RECOMMENDATION 1.2

The Medical Cannabis Program should categorize violation infractions by severity to determine compliance trends for program license holders. The program should utilize *Administrative Rule* violation categories and integrate them into inspection reporting tools. This change is expected to improve the program's ability to identify patterns in noncompliance and support data-driven decision making to enhance regulatory oversight.



CONCLUSION

While UDAF has made progress in developing inspection and enforcement processes, there is room for improved standardization, consistency, and alignment with program goals.



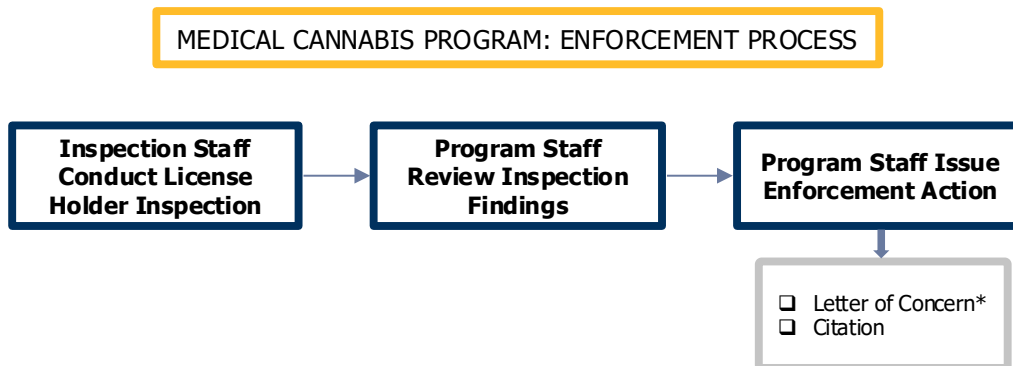


Chapter 1

Utah’s Medical Cannabis Program Should Continue to Align Its Enforcement Process to Identify Public Safety Risks

While the Utah Department of Agriculture and Food’s (UDAF) Medical Cannabis Program (program) has made progress in developing inspection and enforcement processes, there is room for improved standardization, consistency, and alignment with program goals. Inconsistent regulatory frameworks and processes limit the program’s ability to effectively mitigate risk and ensure equitable treatment of license holders. The goal of Utah’s program is to provide safe, regulated access to medical cannabis for qualifying patients while maintaining oversight to prevent diversion² and ensure public and patient safety. We recommend the program continue to standardize its inspection process and track the severity of compliance violations to determine trends in regulatory concerns.

We reviewed the enforcement processes and actions of the Medical Cannabis Program to assess whether its regulatory frameworks align with the program’s intended goals. This chapter evaluates historical and current regulatory processes and trends to determine program effectiveness. The figure below shows the program’s enforcement process from inspection to enforcement action.



*Source: Auditor generated from standard operating procedures for the Medical Cannabis Program.
* From 2021 to 2024 the program also issued warning letters.*

² Diversion refers to redirecting medical cannabis away from intended users in the regulated market to unintended users or the black market.











1.1 The Medical Cannabis Program Should Continue to Focus Its Inspection Process on Areas of High Risk

The Medical Cannabis Program has the authority to inspect medical cannabis facilities to ensure compliance with *Utah Code* and *Administrative Rule*. However, the program’s inspection and documentation processes can continue to be standardized. Without a strong, systematic process for monitoring program license holders, the program runs the potential risk of missing key compliance concerns that may impact public health and safety. The program is working to maintain consistency in its inspection and enforcement practices given frequent changes in statute and corresponding updates to administrative rules. The program should continue to hone its inspection process and documentation to ensure license holder compliance with program requirements and goals.

The Inspection Process Should Continue to Focus on Public Health and Safety Areas

The medical cannabis industry does not have federal guidelines for oversight and regulation. Instead, Utah’s program utilizes *Utah Code*³ and *Administrative Rule*⁴ to guide its inspection process. Violations of statute and rule are categorized into three areas: public safety, regulatory, and licensing. Inspections check regulatory and licensing compliance and can help to identify violations that indicate public safety concerns. The following are inspection areas and examples of their primary components:

 <p>Facility Requirements Facilities must include outlined components in their operating plan.</p>	 <p>Agents Facility agents must be registered and carry their agent card with them on the premises.</p>
 <p>Security Requirements Security measures include video cameras, a visitor log, and an alarm system.</p>	 <p>Transportation Cannabis transportation must be secure and documented in a transportation manifest.</p>
 <p>Inventory Control Information about the cannabis inventory and its quantities must be accurately tracked in the Inventory Control System.</p>	 <p>Storage and Handling Cannabis must be securely stored in appropriate sanitary conditions.</p>
 <p>Waste Disposal Facilities must make cannabis waste unusable and dispose of it in accordance with applicable laws.</p>	 <p>Other Requirements Other requirements vary based on the type of establishment being inspected.</p>

Source: Auditor generated from medical cannabis inspection reports.

³ *Utah Code* 4-41a, Cannabis Production Establishments and Pharmacies

⁴ *Administrative Rule* R66, Agriculture and Food, Medical Cannabis and Industrial Hemp



While regulatory violations may not always pose an immediate threat to public safety, the inspection process plays a preventative role by ensuring license holders comply with standards that ultimately safeguard public health. The inspection process itself is driven by several reasons. Program staff conduct regular, complaint, failed test, follow-up, and license renewal inspections, as well as change request reviews. The focus of our review was on the inspection process and the mechanisms for checking compliance for each license holder.

Historic Program Documentation Lacks Clear Detail on How Specific Areas Were Inspected. When inspections began, inspection reports were in narrative format. Tracking of inspection areas was unclear, and program staff said the reports did not specifically explain how inspectors determined whether an area had been completely inspected. Given the numerous requirements within a given rule area, this lack of specificity could have led to inconsistencies in the completeness of area inspections. In 2024, the inspection reports moved into a checklist format to better adhere to the requirements laid out in *Administrative Rule*.

While inspection processes continue to be honed, the program lacks documented and explicit processes to check for compliance. For example, inspectors use simplified checklists to guide their inspection process, and each type of facility has its own simplified checklist. We saw inconsistencies documented in inspection data from 2024 and 2025, which show that inspections do not consistently verify each portion of *Administrative Rule* for a given rule section. Variances among these checklists could contribute to differences in what is being inspected and how it is inspected.

Additionally, there is no standard operating procedure (SOP) for how an inspector should inspect an area. The only guidance inspectors receive is that they should inspect all aspects of a facility as outlined in *Administrative Rule*.

Concerns about inconsistency in the inspection process can undermine public confidence and contribute to negative perceptions among license holders. Variances and high-level reviews of inspection areas may also potentially lead to neglect of more severe compliance concerns. Similarly, inconsistencies also impact license holders' view of the regulatory process. Of the license holders who met with our audit team and discussed the regulatory role of the program, 63 percent had negative views of the program's regulatory abilities. While satisfaction and trust from regulated entities are not the only criteria for a well-designed inspection and regulation process, they still hold importance.



While inspection processes continue to be honed, the program lacks documented and explicit processes to check for compliance.



Program Inspections Are Evolving to Be More in Depth, with a Focus on High-Risk Areas. For the first three years of the program, the inspection process was largely high level and tried to capture and review all inspection areas equally. Moving forward, inspection staff note they are now spending more time on areas that are prominent risks within the industry. To improve the depth of inspections, the program has reduced its annual per establishment target from



To improve the depth of inspections, the program has reduced its annual per establishment target from eight inspections to five.

eight inspections to five. This change is intended to give inspectors more time to conduct thorough reviews and take a deeper look at potential compliance issues. The shift reflects a strategic effort to strengthen enforcement, ensure that inspections are more meaningful and effective, and help the program identify public safety concerns, as discussed in Finding 1.2.

RECOMMENDATION 1.1

The Medical Cannabis Program staff should continue to standardize its inspection tools and procedures among inspection staff to ensure consistency across inspection types. The program should use inspection data to identify trends in inspection areas to inform compliance concerns.

1.2 Enforcement Actions Primarily Address Regulatory Violations Rather than Public Safety Risks

The program's enforcement actions have mainly captured regulatory violations, such as incomplete documentation, inadequate inventory tracking, and failure to follow required procedures. While these issues are important for maintaining program standards, this focus may reduce the program's ability to identify and respond to problems that could directly affect patient safety or public health. These potential risks include untested or unsafe cannabis products or the sale of cannabis to an unlicensed source. Additionally, the program's enforcement action definitions and approach have changed over the program's history, leading to inconsistent application of enforcement penalties. Software limitations have further hindered consistent tracking and risk assessment. We recommend that as the program continues to adjust its enforcement actions, it consistently documents violation categories across all instances of noncompliance.



Citation Violations Are Largely Centered Around Regulatory Infractions

The Medical Cannabis Program’s purpose is to ensure product safety, regulatory compliance, and industry accountability, with the goal of providing safe medical cannabis products to Utah’s medical cannabis patients. Without safe medical cannabis products, patient safety is at risk, and the program can lose credibility. Currently, the program tracks compliance by counting the number of violation infractions. While this provides a basic measure of compliance, it does not reflect the seriousness of individual violations. Violation severity offers critical insight into compliance trends and potential risks to patient safety. To better understand these trends, we conducted an analysis of every citation violation from 2021 through 2025. The analysis categorized violations using the following categories, as defined in *Administrative Rule*:

- Public Safety Violations: Violations that present a direct threat to public health or safety
- Regulatory Violations: Violations involving administrative rule and other applicable state rules
- Licensing Violations: Violations involving licensing requirements

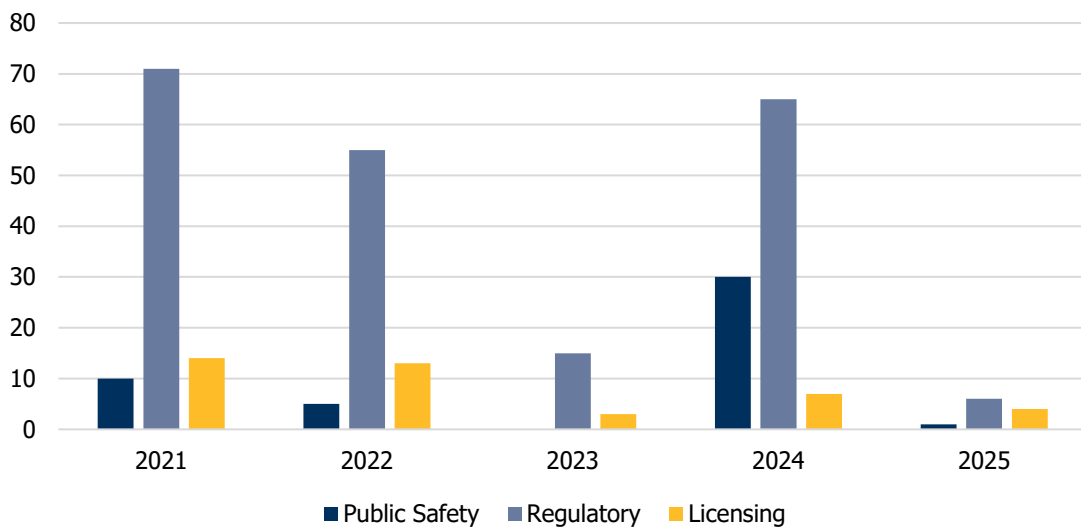
Program staff noted that *Administrative Rule* categories are the framework for their citation guidance. However, program staff have not consistently linked violation categories to specific rule infractions in the enforcement process and documentation. Additionally, program staff also created a penalty matrix to categorize *Administrative Rule* violations but does not use it to guide recent enforcement decisions. Figure 1.1 demonstrates that the program’s enforcement actions are largely focused on instances of regulatory noncompliance.



Program staff have not consistently linked violation categories to specific rule infractions in the enforcement process and documentation.



Figure 1.1 The Program’s Enforcement Actions Are Largely Related to Regulatory Noncompliance, with Fewer Actions Related to Public Safety Concerns. Auditors categorized nearly 300 citation infractions by severity from 2021 through 2025.



Source: Auditor generated from UDAF medical cannabis inspection trackers.



The program’s enforcement actions are largely related to regulatory noncompliance, with fewer actions related to public safety concerns.

Enforcement action data from 2024 shows an increase in identification of public safety violations.⁵ As noted in Finding 1.1, the program is working toward targeting deeper compliance issues rather than broad regulatory or licensing violations. This shift should improve the program’s ability to identify and address violations that pose greater risks to patients and the public.

Changes in Enforcement Actions and Definitions Demonstrate an Inconsistent Regulatory Framework

In response to inspection findings, the program uses different types of enforcement actions to address noncompliance:

- Warning/Letter of Concern: Does not carry a fine and is intended to encourage voluntary compliance and establish a timeframe for the license holder to correct the issue
- Citation: Includes a monetary fine and is used to compel corrective action

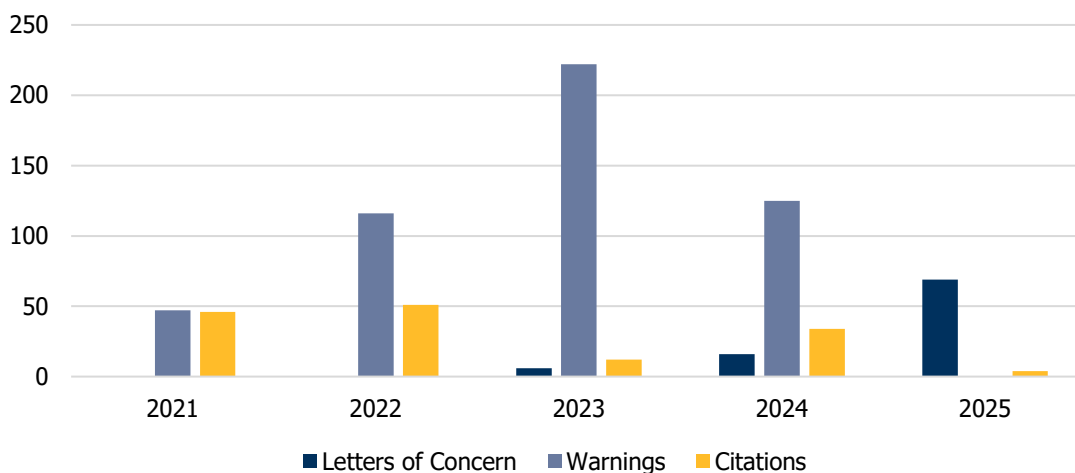
Over the course of the program’s history, the distribution of enforcement actions has fluctuated year over year, shifting between citations and warnings. From

⁵ While the analysis shows an increase in these violations, they were for one specific license holder and may not indicate a broader trend in identifying public safety violations.



2021 through 2024, the program created its own framework for enforcement processes, determining when to deliver a warning versus a citation. In 2021, the program issued a similar number of citations and warnings. In 2023, the program primarily issued warnings, with the goal of encouraging more voluntary compliance. During the 2025 Legislative Session, Senate Bill 64 created a statutory framework for enforcement.⁶ This legislation standardized the way in which the program can issue warnings (now letters of concern) and citations. The statute only allows the program to issue a citation after three letters of concern or a public safety violation. Figure 1.2 demonstrates how the enforcement mechanisms have changed over the course of the program.

Figure 1.2 The Program’s Enforcement Actions Have Changed over the Course of the Program’s Regulatory History, Making a Comparative Analysis of Enforcement Actions Across Years Ineffective. In 2023, the program largely stopped issuing citations to license holders and utilized warnings as its main mechanism for compliance. In 2024, the program resumed citations.



Source: Auditor generated from UDAF medical cannabis inspection trackers.

An Analysis of Enforcement Actions Found Some Inconsistencies in One Year of Program Data. To assess consistency, we analyzed enforcement actions within each year. Differences in enforcement actions across years made it difficult to compare trends. We reviewed citations and warnings issued in 2022 and 2024 to determine if the program issued different enforcement actions for similar violations. We did not conduct an analysis on 2023 data because the program mostly issued warnings. In 2022, there were four instances where the program issued a citation and a fine for an infraction but issued a warning with no fine for a similar infraction. There were no documented instances of these inconsistencies in 2024.

⁶ SB 64, Cannabinoid Amendments, 2025 General Session



An analysis of enforcement actions identifies several instances of enforcement action withdrawal between 2021 and 2024.

An analysis of enforcement actions identifies several instances of enforcement action withdrawal between 2021 and 2024. The program has also settled enforcement actions with license holders, leading to reduced fines. This indicates that program inspectors and staff may lack proper documentation of inspection findings, and there is a lack of clarity in *Administrative Rule*.

As the program’s enforcement actions have shifted and regulatory requirements have changed, license holders have expressed frustration with the clarity and interpretation of *Administrative Rule* and *Utah Code*. To reduce regulatory burden and increase clarity, UDAF recently conducted a “Clear the Rules” initiative to create better alignment between statute and rule. Due to the timing of this audit, we could not evaluate the outcomes of this initiative on compliance, but future audits and follow-up should.

The Medical Cannabis Program Has Made Changes to Improve Consistency.

In 2023, the program hired a program specialist to create a more consistent review process for enforcement actions. Previously, the program manager role involved initial inspection review. Historically, the program did not consistently document inspection areas, findings, or the enforcement actions associated with them. The program now has an SOP, which details the violation documentation process.



Historically, the program did not consistently document inspection areas, findings, or the enforcement actions associated with them.

RECOMMENDATION 1.2

The Medical Cannabis Program should categorize violation infractions by severity to determine compliance trends for program license holders. The program should utilize *Administrative Rule* violation categories and integrate them into inspection reporting tools. This change is expected to improve the program’s ability to identify patterns in noncompliance and support data-driven decision making to enhance regulatory oversight.



The Program’s Software Changes Hinder Risk Mitigation and Enforcement Documentation

Three distinct software programs underlie the functions of the Medical Cannabis Program:



Source: Auditor generated from UDAF and Utah Department of Health and Human Services.

Over the past two years, the program has launched the new EVS, has been phasing in the AIMS software, and has yet to launch the new ICS.

UDAF’s Medical Cannabis Program staff primarily rely on AIMS and the ICS for inspection and enforcement functions. In 2023, UDAF launched AIMS to manage all licenses, permits, and/or product registrations in one place. Over the course of the audit, we heard from program staff on the challenges in using this new system. For inspection staff, AIMS inconsistently saved and uploaded inspection pictures and documentation. For another program staff, AIMS hindered application processes and agent card⁷ verifications. Program staff noted that developer turnover and slow responses to requests for software fixes have

Inventory tracking is a critical component of Utah’s medical cannabis regulatory framework, serving as a key mechanism to uphold patient safety and prevent diversion.

hindered the effectiveness of the new software. The program has gone through multiple phases of AIMS. This process has taken multiple staff hours and has reduced the effectiveness of program staff in completing relevant program work.

Additionally, the program has been in the process of developing a new Inventory Control System (ICS), a statutorily required system that allows the program to track medical cannabis plants from cultivation to sale. Inventory tracking is a critical component of Utah’s

⁷ An agent card is the identification form used by agents operating at a medical cannabis production establishment, pharmacy, and courier.



medical cannabis regulatory framework, serving as a key mechanism to uphold patient safety and prevent diversion. However, the program and license holders have faced ongoing challenges with the current tracking system⁸, limiting the program’s ability to reliably monitor inventory and support enforcement activities. These challenges stem from several underlying process issues, including lack of integration with point-of-sale systems and long wait times for service tickets. As a result, the system may undermine the program’s ability to detect discrepancies, enforce compliance, and respond to potential risks in a timely manner.

Currently, program staff must manually verify that cannabis production yields are appropriate as the ICS tracks cannabis from seed to sale. However, the program lacks defined thresholds for expected yields, which makes it difficult to identify when inventory issues should raise concern. An audit by the Office of the Washington State Auditor documented similar issues in Washington’s cannabis tracking system. The audit recommended that the regulatory body define expected data ranges, since yields falling outside these ranges can signal potential diversion. Because the current ICS does not define clear ranges for expected inventory values, Utah program specialists cannot use the inventory control system effectively to detect diversion.



The program lacks defined thresholds for expected yields, which makes it difficult to identify when inventory issues should raise concern.

Due to challenges in moving data from the current system, UDAF has delayed the new ICS’s launch. With an initial target date of spring 2024, the ICS may not be completed until early 2026. As a foundational enforcement tool, the effectiveness and cost-efficiency of the new system should be carefully evaluated once implemented. Until then, limitations in the current system may continue to hinder the program’s ability to ensure consistent oversight and accurate inventory tracking.

The Program Is Inconsistently Enforcing Regulatory Standards to Preserve Program Goals

As the program’s regulatory framework evolves, it is important to align statutory requirements with intended outcomes. Recently, there was an identified regulatory inconsistency in how the program enforces restrictions on cannabis products containing less than 0.3% THC.⁹ *Utah Code* defines medical cannabis products as those that contain more than 0.3% THC. Statute also states that a

⁸ The current ICS is MJ Freeway, a cannabis seed-to-sale software.

⁹ THC (tetrahydrocannabinol): The main psychoactive cannabinoid in cannabis.



medical cannabis pharmacy may not sell a product other than medical cannabis acquired from a licensed facility.

Recently, program staff identified products with THC amounts lower than 0.3% being sold in pharmacies. The program then issued a cease-and-destroy order for these products. However, this enforcement action faced pushback because these products undergo the same rigorous testing as other medical cannabis items and serve an important role in patient care, particularly for those starting with lower doses. Program leadership disagreed over whether lower-dose products could legally be sold in pharmacies, even though program staff had previously indicated these products could not be sold. In response to these concerns, UDAF leadership paused enforcement actions and initiated a broader investigation into the prevalence of low-THC products. Without a clear and consistently applied enforcement approach, the program risks undermining its regulatory credibility and creating confusion among license holders.





BACKGROUND

In 2021, the Legislature created the Cannabis Production Establishment and Pharmacy Licensing Advisory Board. The licensing board is meant to consider operational and compliance information on license holders to determine if they should continue operating in the state's Medical Cannabis Program.

FINDING 2.1

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board Is Largely a Rubber Stamp on Licensing Oversight

RECOMMENDATION 2.1

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board should establish a decision framework for all licensing determinations to ensure transparency and consistency in licensing and application decisions.

RECOMMENDATION 2.2

The Legislature could consider reevaluating the roles and responsibilities of the Cannabis Production Establishment and Pharmacy Licensing Board to facilitate clearer expectations and effective duties.



CONCLUSION

The licensing board is intended to serve as an advisory and determination body for medical cannabis license holders. However, the lack of determination criteria and board member participation limits its effectiveness as a decision-making body. The licensing board provides a role in the regulatory space for license holders, representing an independent body separate from UDAF's regulatory role. To support more consistent and informed decision making, the licensing board could develop an evaluation framework to guide its review of these noncompliance considerations.





Chapter 2

The Licensing Board Reviewing Utah’s Medical Cannabis License Holders Demonstrates Limited Effectiveness

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board (licensing board), although intended to serve as an independent oversight body for medical cannabis program license holders, is largely ineffective. While several entities contribute regulatory oversight and input to the Utah Medical Cannabis program, this chapter focuses specifically on evaluating the licensing board to assess its effectiveness in promoting transparent, accountable, and informed decision-making.

2.1 The Cannabis Production Establishment and Pharmacy Licensing Advisory Board Is Largely a Rubber Stamp on Licensing Oversight

Since its creation, the licensing board has largely been a rubber stamp on items brought before it. The Utah Legislature created the current licensing board¹⁰ in 2021 after state auditors found concerns in the initial process used to allocate cannabis establishment licenses. Because of this, it is important that the licensing board provide a meaningful and independent review.

The licensing board is meant to consider operational and compliance information on license holders to determine if they should continue operating in the state’s Medical Cannabis Program. However, the licensing board lacks a formal framework to inform decisions on licensing determinations. Based on observations, documentation review, and the fact that the licensing board unanimously approved 99 percent of the actions brought before it, we believe this board is largely a rubber stamp on licensing oversight. To address this concern, we recommend that the licensing board establish a formal decision-making framework for all licensing determinations to ensure transparency and



Based on observations, documentation review, and the fact that the licensing board unanimously approved 99 percent of the actions brought before it, we believe this board is largely a rubber stamp on licensing oversight.

¹⁰ Senate Bill 192, Medical Cannabis Act Amendments (2021), created the Cannabis Production Establishment and Pharmacy Licensing Advisory Board, formerly the Cannabis Production Establishment Licensing Advisory Board. (Pharmacies were added to the licensing board in 2024.)



consistency. The Legislature could also consider reevaluating the licensing board’s roles and responsibilities.

Utah’s Office of the State Auditor Identified Concerns in the Original License Award Process. In 2020, a report¹¹ from the Utah Office of the State Auditor found that the original license evaluation process, led by the Utah Department of Agriculture and Food (UDAF), may have lacked transparency and independence, with scoring patterns indicating potential scoring collaboration among senior management. As a result, licenses were awarded to applicants who otherwise would not have qualified. Another audit finding highlighted a lack of policies on the management of the program. In response to the audit findings, UDAF committed to ensuring program participants are appropriately monitored and are accountable to state law. The concerns from the initial licensing process underscore the need for the current licensing board to function as an effective oversight mechanism for program license holders.

The Current Licensing Board Lacks Criteria for Licensing Determinations

The licensing board is intended to serve as an advisory and determination body for medical cannabis license holders. However, a lack of determination criteria and board member participation limits its effectiveness as a decision-making body. The licensing board reviews new and renewal license applications, approves certain license and location change requests, and reviews and approves department license application forms. To make determinations, the licensing board receives information on compliance and on the production, quality, and variety of medical cannabis products in the program. The variety of information requires them to balance concerns of regulatory compliance and patient access when making decisions.

Cannabis Production Establishment and Pharmacy Licensing Advisory Board: Roles and Responsibilities

- License Renewals
- Change Requests
- New License Approval
- Application Form Approval
- Pharmacy Location Change Request

Source: Auditor generated based on Utah Code 4-41a-201.1.

¹¹ Utah State Auditor, Department of Agriculture & Food Special Project for the period April 2019 through June 2020.



The licensing board primarily reviews license renewal applications. Every cultivator, processor, and pharmacy must apply annually to maintain their participation in the Medical Cannabis Program. However, we found that the licensing board's renewal process remains largely ineffective.

Since June 2021, the Licensing Board Has Acted Largely as a Rubber Stamp to Approve All License Renewals, New Applications, and Change Requests.



From June 2021 to August 2025, the licensing board unanimously voted yes on 199 of the 202 actions brought before it.

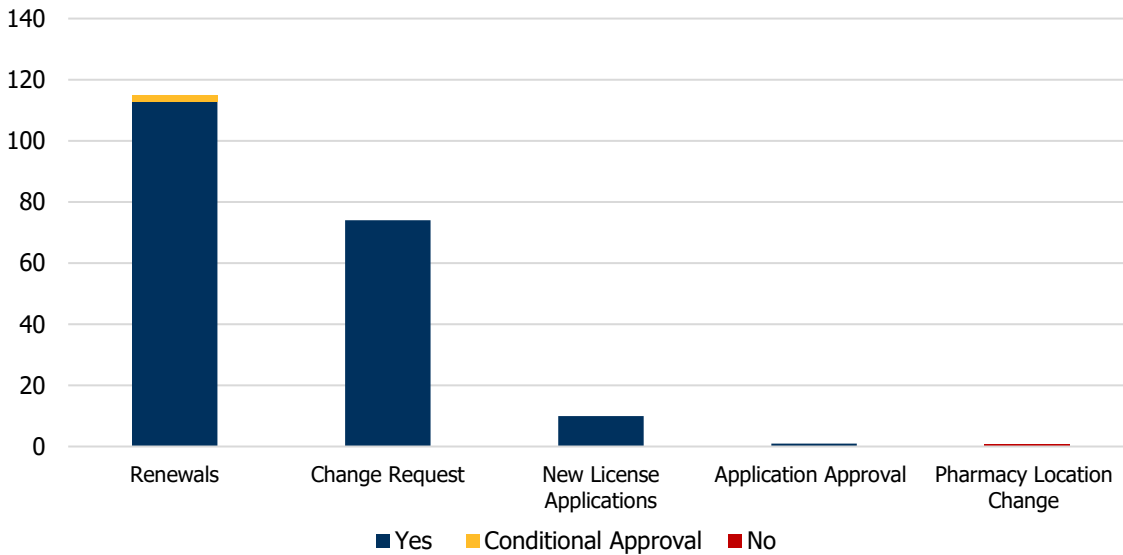
From June 2021 to August 2025, the licensing board voted yes unanimously on 199 of the 202 documented actions brought before it. These outcomes are concerning since only one or two board members of six usually participated in discussions on actions. Of the three non-approvals, two were conditional approval renewals that the licensing board granted unanimously.¹² The only no vote by the licensing board was due to a statutory change that resulted in language removal related to medical cannabis pharmacy locations.¹³ We note that an evaluation of the licensing board's determinations is difficult without a formal decision framework. Therefore, to better evaluate the licensing board, we devised a methodology to measure effectiveness. The methodology involved direct observation, interviews with board members, and quantifications of board discussions and voting patterns. As illustrated in Figure 2.1, a portion of this methodology is shown through documentation of the types of actions taken and the licensing board's voting record.

¹² In the 2024 Legislative Session, SB 233 Medical Cannabis Amendments added language to allow the licensing board to approve, deny, or issue conditional approvals of cannabis production establishment or pharmacy license renewal application. Previously, the licensing board could only approve or deny an application.

¹³ In the 2025 Legislative Session, HB 54 inadvertently removed some statutory language about medical cannabis pharmacy locations. Subsequently, a license holder requested to move to a location that might not have previously been allowed. The Medical Cannabis Governance Structure Working Group wrote a letter to the licensing board explaining the inadvertent language and noted that they will be proposing legislation to reenact the geographic region language at the legislature's earliest convenience.



Figure 2.1 The Cannabis Production Establishment and Pharmacy Licensing Advisory Board Unanimously Approves the Vast Majority of Actions Brought Before It without Significant Participation from a Majority of Board Members. From 2021 through 2025, the licensing board largely reviewed renewal applications for licensees and has never denied a license.



Source: Auditor generated based on Cannabis Production Establishment and Pharmacy Licensing Advisory Board meeting minutes.

The Licensing Board’s Ineffectiveness Results from a Lack of Evaluation Framework and Inconsistent Compliance Information. The licensing board must consider compliance with *Utah Code* and *Administrative Rules* when making all license decisions, as required by statute.

Utah Code 4-41a-201.1 (6)(b):

- (6) *The licensing board shall:*
 - (b) *review each license application for compliance with:*
 - (i) *this chapter; and*
 - (ii) *department rules*

However, as noted in Chapter 1 of this report, the Medical Cannabis Program’s enforcement actions have varied significantly from year to year, with most years emphasizing warnings over citations. This inconsistency makes it difficult for the licensing board to identify meaningful trends in licensee compliance. The challenge is compounded by UDAF’s lack of categorization for violations by severity, which prevents the board from understanding how noncompliance may have affected public safety or patient access. With the implementation of a new statutorily required enforcement action framework (which specifies when compliance issues can be brought before the licensing board), program staff



should inform the board of compliance issues as they relate to severity and impacts to public safety.

Beyond compliance, the licensing board must consider a range of additional factors when reviewing license applications and renewals. These factors vary depending on the type of application, the nature of the proposed change, and the specific type of medical cannabis establishment involved as noted in the infographic below.

LICENSING BOARD CONSIDERATIONS FOR RENEWAL APPLICATIONS

Cultivators:

- The amount of biomass the licensee produced during the current calendar year
- The amount of biomass the licensee projects to produce during the following year
- The amount of hemp waste the licensee currently holds
- The current square footage or acres of growing area the licensee uses
- The square footage or acres of growing area the licensee projects to use in the following year

Processors:

- Methods and procedures for extraction
- Standard operating procedures
- A complete listing of the medical dosage forms that the licensee produces

Pharmacies:

- Product availability, quality, and variety
- The pharmacy’s operating procedures and practices
- The factors listed in Subsection 4-41a-1003 (1)

Source: Auditor generated based on *Utah Code*.

While the renewal process presents a key opportunity to evaluate these broader considerations, our review found that board member discussions and questions predominantly focus on compliance issues. In fact, these additional considerations were raised in only about one-third of renewal discussions, indicating they are not consistently integrated into the board’s decision-making process.



These additional considerations were raised in only about one-third of renewal discussions, indicating that they are not consistently integrated into the board’s decision-making process.

In the past, board members have expressed concerns about the lack of guidance when making decisions based on compliance issues. With limited compliance data, the licensing board must rely more on professional judgment and interpretation to ensure its decisions are meaningful and aligned with program goals. The change in compliance information highlights the need for the board to establish a clear framework for evaluating and contextualizing the additional information it receives about license holders.

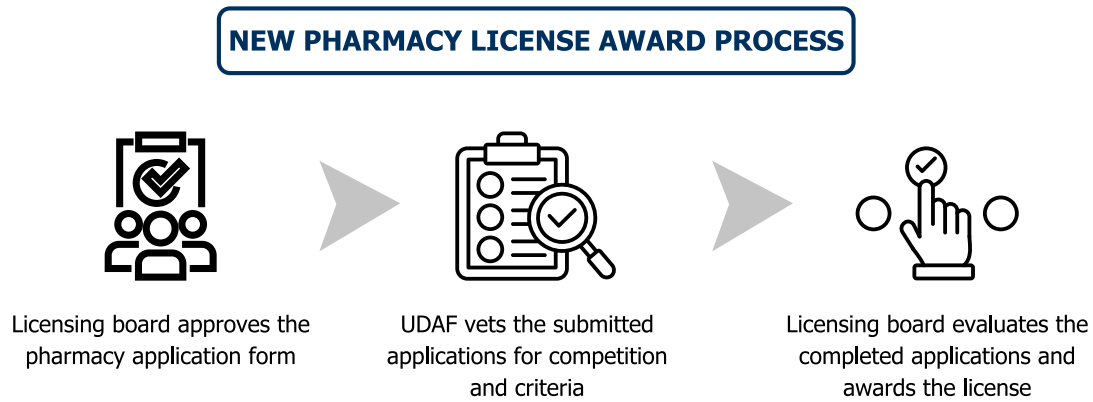
We note that the licensing board provides a role in the regulatory space for license holders, representing an independent body separate from UDAF’s regulatory role. As the Legislature continues to refine the Medical Cannabis Program and role of the licensing board, revisiting the licensing board’s statutory role could help clarify its purpose and improve its effectiveness. By narrowing its



focus to evaluating new license applications and serving as a decision-making body in cases of serious compliance violations, the licensing board could concentrate its efforts where independent oversight is most critical.

New License Award Provides an Opportunity to Review Updates to the Licensing Process

In 2025, the Legislature authorized an increase in the number of medical cannabis pharmacy licenses, directing the licensing board to award two new licenses, one in 2025 and another in 2026. These are considered limited licenses because *Utah Code* caps the total number of pharmacy licenses that can be issued. This creates a competitive process since pharmacy licenses are highly coveted in the Utah medical cannabis market.



Source: Auditor generated based on *Utah Code: 4-41a-201.1* and *UDAF Administrative Rule R66-9*.

UDAF is responsible for the application materials and managing the administrative aspects of the process, while the licensing board is tasked with approving the application framework and making final decisions on which applicants receive licenses. Together, they play a central role in ensuring that the process is both fair and aligned with the program’s goals. This is the first time since the initial round of cultivation license awards that the UDAF licensing board will issue a limited license.¹⁴ It is also the first time the licensing board, in its current form, has evaluated a license application form. Because of the state auditors’

This is the first time since the initial round of cultivation license awards that the UDAF licensing board will issue a limited license.

¹⁴ Previously, the Utah Department of Health and Human Services awarded the pharmacy licenses.



finding that the original licensing process may not have been independent, transparency and equity in this license selection are especially critical.

The outcome of this process will help determine whether implemented recommendations from the Utah State Auditor's report addressed past concerns with license selection. However, recent observations raise concerns about whether the licensing board's oversight responsibilities are being met. When UDAF presented the new pharmacy application form to the licensing board, members did not ask questions about its content, how it was developed, or whether it complied with *Utah Code*. This lack of engagement suggests that the licensing board may not be fulfilling its intended role as a check on the department's work.

There Are Options for Addressing the Ineffectiveness of the Licensing Board.

To support more consistent and informed decision making, the licensing board could develop an evaluation framework to guide its review of these noncompliance considerations. Additionally, the Legislature could consider revising the board's roles and responsibilities, focusing its efforts on reviewing new license applications and serving as a decision-making body in cases involving serious compliance violations.

RECOMMENDATION 2.1

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board should establish a decision framework for all licensing determinations to ensure transparency and consistency in licensing and application decisions.

RECOMMENDATION 2.2

The Legislature could consider reevaluating the roles and responsibilities of the Cannabis Production Establishment and Pharmacy Licensing Advisory Board to facilitate clearer expectations and effective duties.





Complete List of Audit Recommendations





Complete List of Audit Recommendations

This report made the following four recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

Recommendation 1.1

The Medical Cannabis Program staff should continue to standardize its inspection tools and procedures among inspection staff to ensure consistency across inspection types. The program should use inspection data to identify trends in inspection areas to inform compliance concerns.

Recommendation 1.2

The Medical Cannabis Program should categorize violation infractions by severity to determine compliance trends for program license holders. The program should utilize *Administrative Rule* violation categories and integrate them into inspection reporting tools. This change is expected to improve the program's ability to identify patterns in noncompliance and support data-driven decision making to enhance regulatory oversight.

Recommendation 2.1

The Cannabis Production Establishment and Pharmacy Licensing Advisory Board should establish a decision framework for all licensing determinations to ensure transparency and consistency in licensing and application decisions.

Recommendation 2.2

The Legislature could consider reevaluating the roles and responsibilities of the Cannabis Production Establishment and Pharmacy Licensing Advisory Board to facilitate clearer expectations and effective duties.





Agency Response Plan





State of Utah

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

Department of Agriculture and Food

KELLY PEHRSON
Commissioner

AMBER BROWN
Deputy Commissioner

TROY FORREST
Deputy Commissioner

November 7, 2025

Kade R. Minchey, CIA, CFE
Auditor General, Office of the Legislative Auditor General
Utah State Capitol Complex
Salt Lake City, UT 84114-5315

Dear Mr. Minchey,

Thank you for the opportunity to respond to the Performance Audit of the Utah Medical Cannabis Program (Report #2025-26). We appreciate the professionalism and collaborative approach of the audit team throughout this process. This has been a valuable experience for our department.

The recommendations provided in the audit are well-reasoned and will assist us in our goal of continuous improvement. The Utah Department of Agriculture and Food (the Department) is committed to ensuring the Medical Cannabis Program provides safe, regulated access to medical cannabis for qualifying patients while maintaining robust oversight to ensure public and patient safety.

As such, we concur with all four recommendations in this report. The attached response plan outlines our specific actions, timelines, and the individuals responsible for implementing these recommendations. We are confident that these steps will strengthen our program's inspection processes and enhance the effectiveness of our regulatory oversight.

We value the insight we have gained from this audit and are committed to implementing these improvements.

Sincerely,

Kelly Pehrson, Commissioner
Utah Department of Agriculture and Food

Chapter 1

Recommendation 1.1: The Medical Cannabis program staff should continue to standardize its inspection tools and procedures among inspection staff to ensure consistency across inspection types. The program should use inspection data to identify trends in inspection areas to inform compliance concerns.

Department Response: The Department concurs with this recommendation.

What: The Department will develop and implement a modular inspection workflow.

How: This workflow will be designed to standardize all common inspection components (e.g., security, inventory controls, sanitation) to ensure consistency and improve data collection. This modular approach will also remain flexible to allow for the verification of licensee-specific operating plans, addressing the concern that each facility is unique. The data from the standardized modules will be used to identify program-wide compliance trends.

Documentation: Standard Operating Procedures (SOPs) for the new inspection workflow; new inspection report templates and modules.

When:

- August 2026: Version 1.0 of the new modular inspection workflow will be implemented.
- August 2026 – February 2027: The new workflow will be tested in the field by inspection staff to gather feedback for refinement.
- April 2027: The finalized and refined inspection workflow will be fully implemented.

Contact: Dr. Brandon Forsyth, Director, Specialized Products Division, bforsyth@utah.gov, 801-710-9945

Recommendation 1.2: The Medical Cannabis program should categorize violation infractions by severity to determine compliance trends for program license holders. The program should utilize Administrative Rule violation categories and integrate them into inspection reporting tools. This change is expected to improve the program's ability to identify patterns in noncompliance and support data-driven decision making to enhance regulatory oversight.

Department Response: The Department concurs with this recommendation.

What: The Department will define and implement a formal severity categorization for all violation infractions.

How: The Department will initiate the administrative rule-making process to refine the existing violation categories (public safety, regulatory, licensing). This refinement will ensure that violations with a direct link to public safety (such as facility, transportation, and inventory control issues) are appropriately categorized. These finalized categories defined in rule will then be integrated into the inspection and enforcement tracking reports.

Documentation: Updated Administrative Rules (Title R66); new required data fields in inspections; compliance trend reports generated from the new data.

When:

- March 2026: The Department will begin the formal administrative rule-making process to define violation categories.
- Full integration of these categories into forms and inspection reporting tools will be completed by December 2026.

Contact: Dr. Brandon Forsyth, Director, Specialized Products Division, bforsyth@utah.gov, 801-710-9945

Chapter 2

Recommendation 2.1: The Cannabis Production Establishment and Pharmacy Licensing Advisory Board should establish a decision framework for all licensing determinations. The framework should include thresholds and criteria for determination, to ensure transparency and consistency in licensing and application decisions.

Department Response: The Department concurs with this recommendation and will assist the Licensing Board in its implementation.

What: The Department will draft a formal decision framework and present it to the Cannabis Production Establishment and Pharmacy Licensing Advisory Board (Licensing Board) for its consideration, refinement, and adoption.

How: The Department's proposed framework will be a scoring rubric. This rubric will be designed to help the Board evaluate licensees who have demonstrated significant or repeated compliance violations. This action is dependent on the 2026 General Legislative Session, as the Department is requesting statutory changes to §4-41a-201.1 to focus the Board's duties on new applications, major ownership changes, pharmacy location changes, and the review of significant or repeated violations. We will draft the framework to align with the board's current duties or their revised duties if the Legislature implements these suggested changes.

Documentation: A draft framework document presented to the Licensing Board; meeting minutes from the Licensing Board where the framework is discussed and/or adopted.

When:

- March 2026: Anticipated conclusion of legislative action on §4-41a-201.1.
- Q2 2026: The Department will draft the framework based on the revised statutory duties.
- August 2026: The Department will present the draft framework to the Licensing Board for its consideration.

Contact: Dr. Brandon Forsyth, Director, Specialized Products Division, bforsyth@utah.gov, 801-710-9945

Recommendation 2.2: The Legislature could consider reevaluating the roles and responsibilities of the Cannabis Production Establishment and Pharmacy Licensing Board to facilitate clearer expectations and effective duties.

Department Response: The Department concurs with this recommendation.

What: The Department will work with the Legislature as it considers policy changes in this area.

How: As noted in our response to 2.1, the Department has already begun proactive discussions with legislative stakeholders to propose amendments to Utah Code §4-41a-201.1. These amendments are intended to focus the Board's oversight on the most critical areas, which will facilitate clearer expectations and more effective duties as recommended by the audit.

Documentation: N/A (Legislative action).

When: N/A (Legislative action).

Contact: Dr. Brandon Forsyth, Director, Specialized Products Division, bforsyth@utah.gov, 801-710-9945



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