



***Via Electronic Mail***

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Dear Inspector General Shapiro:

Thank you for your letter dated March 27, 2025. I would like to acknowledge the thoroughness of your audit and the professionalism of your team, and express my appreciation for four (4) specific aspects of your letter:

First, it is critically important for the future of cannabis regulation in Massachusetts that the **Office of the Inspector General (OIG) was able to clarify, in no uncertain terms, that no fraud took place** in the matter of uncollected pro-rated license fees. Regrettably, the focus in some media outlets and public discourse is on artificially inflated uncollected fee amounts (See additional comments on this below) and the OIG's declaration that no fraud took place is reassuring to the public and the dedicated staff of the Commission.

Second, **I greatly appreciate the OIG specifically giving kudos to the current Chief of Investigation & Enforcement (CIE) for taking swift action in addressing uncollected pro-rated license fees.** The Commission's staff is a dedicated group of public servants that deserve to be acknowledged for their commitment to efficient oversight of a safe and equitable cannabis industry, not to be maligned or accused of fraud where none exists.

Third, **I would like to thank the OIG for acknowledging in the press release for this letter that the previous recommendation of receivership should be removed from discussion moving forward.**



Finally, **the effort of the OIG to identify the critical IT infrastructure needs of the Commission is extremely helpful for the ongoing FY2026 budget discussions**, which I specifically review below.

These elements of the letter from the OIG to the Executive Director and Acting Chair establish a solid foundation for the Commission to address the OIG recommendations holistically and allow the Commission to continue to progress as a mature agency following the initial startup phase.

Prior to reviewing the recommendations, there are some items that I would like to address and clarify in your findings and the body of your letter.

### **1. Corrections & Clarifications with OIG Findings**

I have three (3) specific areas of the OIG letter that require either corrections or clarifications:

#### **1(a) Clarifications: Regulations Related to Provisional License Fees**

After your summary of the \$550,000 in uncollected pro-rated license fees (the current amount remaining is approximately \$170,000 as footnoted in your letter), you indicate that \$1.2 million in provisional license fees were not collected.<sup>1</sup> This figure, which was highlighted in the news media, is misleading and requires further clarification.

The issuance of a provisional license is conditioned upon payment of the licensing fee (which is separate from the application fee). These applicants were not under any obligation to pay the fee unless they intended to move forward with the licensing process towards opening a cannabis business. However, if they do not pay the initial fee within 90 days, the provisional license approval expires, and licensees would be required to re-start the application process (See 935 CMR 500.103(1)(e) and 935 CMR 501.103 (1)(d)). It is important to note that if the Commission does not receive the initial provisional license fee within the 90 days, this does not represent missing money, money owed to the Commission, or unaccounted for or stolen fees. As such, the provisional licensing fees are not required to be paid and therefore cannot be invoiced and are not outstanding receivables for the Commission as you assert.<sup>2</sup> Such a change in process would require a regulatory amendment. As a result, your suggestion that the agency failed to collect \$1.2 million in provisional license fees is inaccurate.

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<sup>1</sup> Letter, p. 5

<sup>2</sup> Letter, p. 1 (stating “[t]he OIG also found that the CCC did not collect provisional license fees during this period, which at one point was invoiced at \$1.2 million”).



**1(b) Clarifications: OIG Summary of Actions by Licensing Officials**

Additionally, I would like to point out internal inconsistencies and an apparent factual inaccuracy in your letter. In the conclusion section on page eight of your letter, you state, “Viewed most narrowly, this operational deficiency occurred because licensing division officials failed to update the CCC’s payment processing system to handle extensions for existing licensed operators and to bill provisional licensees for renewals. *In both instances, those officials did not bring the matters to the attention of their supervisors or the commission.*”

However, on page two of your letter, you state, “The former director told OIG investigators he brought up these matters with his supervisor, the former CCC chief of investigations and enforcement, and the former CCC general counsel, but said that they were “agnostic” and focused on other priorities.” This is internally inconsistent, as according to the OIG’s fact finding, licensing division officials did inform their superiors of issues around uncollected fees. This was a failure of oversight, which has been corrected with the hiring of a new CIE and other senior management officials, including the Chief Financial and Accounting Officer (CFAO) and General Counsel (GC). Your conclusion on this issue contradicts the facts as you found them.

**1(c) Clarifications: Delegation of Authority**

In your conclusion, you state “*Further, the former executive director inappropriately delegated a responsibility to a division that he knew or should have known did not have the capacity to execute the directive on their own.*” However, earlier in your letter, you quote the Commission’s August 11, 2022, motion language to delegate authority to the Executive Director to administratively extend licenses by up to 120 days and collect the appropriate prorated license fees.<sup>3</sup> Contrary to your assertion, the Executive Director’s *delegation* of this authority to the Director of Licensing was proper; it was the execution that was lacking. As will be addressed further (below), the failings were in large part due to lack of appropriate funding for the agency to make needed data platform improvements and a resulting lack of adequate staff to execute the delegation.

I will turn next to your recommendations but felt that these corrections and clarifications were absolutely necessary to ensure that we can efficiently move forward and address the root issues that your Office has identified.

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<sup>3</sup> Letter, p. 2.



## 2. Response to Recommendations

The responses to your recommendations below are from the perspective of the Executive Director and address your recommendations in three (3) groupings, as these recommendations generally fall into categories of: (1) IT Infrastructure & Associated Internal Controls, (2) Governance & Accountability, and (3) Audits of Accounts Receivable & A/R Processes.

### 2(a) First Grouping – IT Infrastructure & Associated Internal Controls (1-3):

1. OIG: “Ensure that MassCIP, or any other software used by the CCC, has the appropriate controls in place for the CCC to operate effectively and efficiently, including the ability to (a) accurately track license extensions; (b) collect prorated fees; and (c ) collect provisional license fees within the appropriate time frame;”
2. OIG: “Conduct an audit of IT systems to ensure that proper capabilities and controls are in place;”
3. OIG: “Ensure that any future procurement of CCC’s licensing services contains appropriate capabilities and controls;”

**Executive Director Response to Recommendations 1-3:** The Commission’s FY2025 budget request included approximately \$1.5 million necessary to upgrade or replace the IT platforms supported by JD Software (MassCIP and MMJOS systems). Of the Commission’s \$26 million FY2025 budget request, only \$19 million was approved and the Commission was forced to extend the existing contracts for these two platforms without any additional functionality from the current vendor or the ability to potentially replace these platforms through public procurement.

The Commission executed a short-term extension of the existing licensing agreement with the contracted support and has re-requested the funding necessary to update or replace these systems in the FY2026 request (\$2.0 million of Commission’s request).

It should be noted that a significant portion of the cost to upgrade or replace these two (2) IT platforms includes the projected implementation cost, as much of the functionality that the Commission and OIG agree should be streamlined is currently tracked in multiple platforms due to the lack of functionality of MassCIP and MMJOS. The MMJOS system was inherited from DPH when the CCC was created. **Any changes to the current IT Infrastructure, should funds be available in FY2026, will be made with the OIG’s Recommendation 3 in mind.**

In the meantime, since the hiring of the new CIE these are the controls the Commission has put in place related to administrative extensions related to prorated fees with our third-party vendor (JD Software),



- Implementation of licensing extension applications and reports to adequately track such requests, and
- Capability of the Licensees to make online payments upon approval of such requests, and
- Created a manual master list for administrative extensions requests.

Provisional Licensing Fees Amendments:

- Updated provisional approval notices with clear steps on how to complete the process for obtaining a provisional license,
- Created manual master list to track the deadlines associated with provisional license approvals, and

Additionally, licensing staff sends 30, 60 and 90-day reminders to applicants reminding them of their obligations.

**Related to Recommendation 2, the Commission will engage an external auditor from available state contracted vendors to confirm that both system and financial controls are in place to meet compliance regulations.** Due to available funding in FY2025 and the current status of the Commission's FY2026 budget request, the scope of such an external audit may be limited by availability of resources.

**I will also note that, prior to my arrival, the Commission had appropriately assigned the responsibility for the major IT systems (MassCIP, MMJOS and Metrc) to the IT Team and the Chief Technology & Innovation Officer (CTIO) to establish separation of duties with I&E.** The same assignments occurred for the financial responsibilities, which are currently overseen by the CFAO.

**The CTIO/Internal Controls Officer and Chief Financial & Accounting Officer (CFAO) will work with the Executive Director to ensure internal controls are updated per Comptroller guidelines in May 2025.** I will communicate these changes to the OIG to demonstrate completion of steps identified under Recommendation 1.

**2(b) Second Grouping – Governance & Accountability (Recommendations 4 & 5):**

4. OIG: "Clarify the roles and responsibilities of the CCC Chair, commissioners, executive director, and directors to ensure that (a) the commission's delegated authority is executed properly; (b) the executive director does not act outside of properly delegated authority; (c) revenue projects are in place; and (d) the proper mechanisms and oversight are in place to invoice and collect required fees;"



5. OIG: “Develop greater (a) leadership accountability of the executive director and directors, and (b) staff accountability by requiring periodic updates from CCC management on all requests, delegations, or directives;”

**Executive Director Response to Recommendations 4-5:** The Commission undertook the exercise of creating a Governance Charter, including the engagement of a mediator, (Podziba Policy Mediation), beginning in May 2022. A draft of this work product was provided to the appointing authorities in 2024 and was discussed in numerous public meetings. The Commissioners ultimately chose to hold consideration on the final draft until the new Executive Director’s start at the agency (March 3, 2025 start date).

Upon review of the draft Governance Charter, the Executive Director’s goal is to bring a final draft of the document to the Commissioners for approval by June 30, 2025 after streamlining the previous draft to promote the primary function of the Charter – the clarification of the roles of the Chair, Commissioners, and Executive Director – and separate other items within the draft as: (1) a Commissioner “Job Description” that summarizes statute for onboarding purposes of new Commissioners, and (2) multiple SOPs that would ensure that the work of those that contributed to the Governance Charter is memorialized and implemented.

**The leadership accountability noted in the OIG letter is detailed within this Governance Charter effort, and the use of delegations has been documented and tracked - the Executive Director receives weekly or bi-weekly reports from all departments and tracks approval of all licensing through a centralized internal platform. The Executive Director, pursuant to the OIG recommendation, will memorialize the practice of quarterly updates to the Commissioners related to actions taken under all delegated authorities.**

Separate and aside from the Governance Charter, the Joint Committee on Cannabis Policy is currently reviewing options for the Legislature to update the structure of the Commission and address the inherent tension in the statute language under MGL 94G and potentially other issues of governance. The Executive Director does not have a public opinion on this potential outcome but would note that the Governance Charter is still an important framework in the discussion of governance and responsibilities, because it establishes a baseline understanding of how the agency can work most effectively if no changes are forthcoming.

## **2 (c) Third Grouping – Audits of A/R & A/R Processes (Recommendations 6-8):**

6. OIG: “Conduct an audit of all accounts receivable and collect any outstanding money owed;”
7. OIG: “Conduct an audit to confirm that CCC leadership or staff did not waive or discount any fees without the delegated authority to do so; and”



8. OIG: “Conduct an audit to ensure that the CCC properly handles its accounts receivable, aging and write-off procedures consistent with the policies and regulations of the Commonwealth’s Office of the Comptroller.”

**Executive Director Response to Recommendations 6-8:** The Executive Director and Senior Leadership Team agree with Recommendation 6 and will engage an independent auditor (state bid list vendor) to review the pro-rated fee reconciliation to ensure accuracy of outstanding amounts owed to the Commission. Further, said audit will review and ensure any fees that can no longer be collected go through the appropriate write-off process established by the Comptroller’s Office.

Separate from the issue of pro-rated fees, the Executive Director would like to clarify the OIG’s presentation of potential revenue from the provisional process – 500.103 (1) (e) – which allows for the applicant to exit the process within 90 days and not pay the applicable license fee for a provisional licensee. The Commission will review this regulation to ensure that it accurately reflects the resources applied to the provisional process by the Commission during the process.

Related to Recommendation 7, the Executive Director understands the scope of the OIG’s recommendation to be generally prior to August 2022 which may be too broad of a scope to engage an independent auditing firm with the available funding that the Commission currently has available within the FY2025 budget and draft FY2026 budget. For this reason, the Executive Director recommends an internal review and would offer that previous internal reviews demonstrate that businesses (prior to August 2022) were provided leniency in paying certain fees in 2021 (due to the COVID pandemic), which was prior to the delegation approval in August of 2022. This leniency provided only for delayed collection, not waiving of collection. If further information becomes available, the Executive Director will provide any additional findings to the OIG.

As part of the previous internal reviews and discussions with OIG related to Recommendation 8, the Commission will work with the Comptroller’s Office to determine if the Commission must invoice the approximately \$60,000 outstanding pro-rated fees for Marijuana Establishments that are no longer operational in order to demonstrate the attempt to collect before the Commission can write-off uncollectable pro-rated fees.

### 3. Conclusion

Though this response is in relation to the OIG’s Letter, dated March 27, 2025, please also note that the Commission is working with the State Auditor’s Office (SAO) on an overlapping scope and timeframe and therefore the SAO has been copied on this response.



The Commission will make every effort to work with the OIG and SAO to ensure that internal controls, systems and processes are optimized to ensure efficient oversight of a safe, compliant and equitable cannabis industry in Massachusetts.

It is my sincere hope that the OIG's detailed letter and recommendations and this response gives urgency and focus for the Cannabis Control Commission's FY2026 budget request to be fully funded, as the IT Infrastructure needs highlighted in the OIG letter were requested but unfunded in the current FY2025 budget period. The funding for the Commission has remained flat in the face of inflation while staff has been tasked with implementing new workflow under Chapter 180 of the Acts of 2022 with no additional resources to do so.

Despite the limited resources, Commission staff continue to find other alternatives and means to manually complete these tasks outlined in your recommendations. Therefore, I will continue to advocate for the full funding of the Commission's budget request to address the increased workflow and the IT Infrastructure needs.

Sincerely,



Travis Ahern

Executive Director

cc (by email):

Her Excellency, Governor Maura Healey  
The Honorable Andrea Campbell, Attorney General  
The Honorable Deborah B. Goldberg, Treasurer and Receiver General  
The Honorable Diana DiZoglio, Auditor  
The Honorable Daniel Donahue, Chair, Joint Committee on Cannabis Policy  
The Honorable Adam Gomez, Chair, Joint Committee on Cannabis Policy  
The Honorable Patricia Duffy, Vice Chair, Joint Committee on Cannabis Policy  
The Honorable Dylan Fernandes, Vice Chair, Joint Committee on Cannabis Policy  
Commissioners, Acting Chair Bruce Stebbins, Commissioner Nurys Camargo,  
Commissioner Ava Concepcion, Commissioner Kimberly Roy

