	Member	Question	Response
1	Rep. DelGrosso	What steps are you going to take to correct these issues and establish trust with us? How are we going to not repeat past mistakes?	We have already begun taking steps to correct these issues. First, leadership – the Executive Director, the Senior Director of Enforcement, and the Division Director – was changed. Second, we are developing a business and staffing plan for both the implementation of Amendment 64 and to address issues raised in the OSA performance audit report. Many steps have already been taken to establish enhanced controls and greater fiscal responsibility. Third, we applied a lessons-learned approach when working on the Amendment 64 recommendations. By having a business and staffing plan, by ensuring proper management and internal controls are in place, by actively managing this program, and by supporting the implementation through all resources within the Department, we can assure you that the issues identified in the audit will be resolved.
2	Rep. Nordberg	How do we establish an appropriate fee structure? How do you ensure that you are collecting all fees that are statutorily authorized? How do you ensure they are the appropriate amount?	First by conducting a comprehensive fee analysis for the existing MMED and then for Amendment 64. This also requires a clear understanding of costs and other variables. The Department will utilize resources in the Office of Budget and Financial Services to launch this analysis immediately. Determining the proper fees to cover costs remains a significant challenge due to the continued instability of the industry. Second, the prior management did not perform fee analysis and did not utilize the resources available at the Department. We have already taken steps to correct this. Third, we will analyze existing and future statutes to ensure we are collecting all fees authorized. This will allow us to ensure that we are setting fees at the appropriate levels through sound analysis and continuous review and adjustment of fees based on the number of

Attachment C

	Member	Question	Response
		How do we ensure accountability for purchases?	licenses and the costs of the regulatory model. Finally, we will ensure accountability for purchases by implementing strict management and internal controls which we have done. Additionally, in the Fall of 2012, the Department hired a controller to oversee the expenditure and revenue processes.
3	Sen. Marble	What was the timeframe for the audit?	The majority of the data and activities addressed by the audit covered the period from July 2010 through October 2012. However, the OSA exercised her prerogative to go outside that scope in certain areas, e.g., sales tax.
4	Rep. May	How can you establish the structure and processes needed to address Amendment 64 if your due date is March 2014? What are you putting in place to address this?	The Department is identifying those parts of the recommendations that are critical to the implementation of Amendment 64 and improvement of MMED operations. The Division has included the implementation of audit recommendations in its business plan. The reality is that the Division continues to operate with limited resources and we must therefore conduct triage and identify critical recommendations for immediate implementation. As a result, the Division is internally prioritizing audit recommendations to shorten implementation timeframes wherever possible to better align with A64 implementation. Revised implementation timelines will be provided to the LAC following our analysis.
5	Rep. DelGrosso	How is the backlog going to be eliminated? Identify the funding	We have been working diligently to eliminate the backlog. We know that the elimination of the backlog is critical to our successful implementation of A64. As discussed earlier, the State is prohibited by statute from issuing a Medical Marijuana license until the local authority has done so. As a result, the Department has worked

	Member	Question	Response
		needed, the number of people needed, the resources needed, etc. to be able to operate this Division.	with CML (Colorado Municipal League) and CCI (Colorado Counties, Inc.), and has introduced HB-1238, to decouple the state and local licensing approval process, which will facilitate eliminating the backlog. That is evidenced by the metrics on the applications we've received since the moratorium was lifted. As an example, it has taken an average of 96 days to receive local approval for the post-moratorium applications and the Division has taken an average of 29 days to issue the State license following the receipt of Local Approval. These were concurrently reviewed thus the Department was able to perform some of its review during the first 96 days. In addition, the Division has taken immediate steps to implement a risk-based approach to license inspections, which will create additional efficiencies in the State licensing process. The Department recognizes that the current fee-based funding model simply does not work, given the volatility of this industry. This was one of the lessons learned that we applied to the Amendment 64 Task Force recommendations. Recommendation 2.1 and its justification are critical to ensuring that the Division has a predictable, sustainable revenue stream. The lack of this predictability and sustainability was the reason we had to downsize staff. Recall we have an appropriation of 55 FTE, we were at 37 at our peak, and now have 15 employees, who for the past year have been trying to do the work of 55. As a result, this is somewhat dependent upon what the gGeneral Assembly chooses to do in terms of a transition to Amendment 64. Nonetheless, we are currently working on

	Member	Question	Response
			several scenarios for the establishment of funding and resources needed to implement A64 and MMED. A reasonable starting point is the original appropriation amount, but will require close monitoring as this industry develops. The Department is currently developing projections of resources needed for the implementation of A64 based on program objectives and mandates.