

## FAQ Addendum (Annual Certified Audit)

### When and how do I file my certified annual audit?

The certified annual audit required under Santa Ana Municipal Code (SAMC) section 18-617.5 [Audits] is due by February 15 of each year. The certified annual audit must reflect your Medical Marijuana Collective/Cooperative's ("Collective's") operations occurring during your declared fiscal year ending on or before December 31st of the preceding year and must address the criteria established under SAMC section 18.617.4 [Maintenance of records]. The certified annual audit should be submitted to the City of Santa Ana ("City") both in the form of a physical copy as well as an electronic copy in Portable Document Format (PDF) and must be physically received by the Office of the Chief of Police on or before February 15. (The PDF copy should be submitted via Flash Drive.) The certified annual audit copies may be delivered in person, or sent via Certified United States Mail, or by Express Carrier (FedEx / UPS) to:

Santa Ana Police Department  
Office of the Chief (M-18)  
60 Civic Center Plaza Santa Ana, CA 92701  
Attn: Commander Jose Gonzalez

➤ *The following discussion explains **when** your certified annual audit will be due:*

An annual certified audit filing ("annual audit") is due to the City by February 15, 2017 for permitted Collectives that have completed one or more initial calendar or fiscal tax year(s) (including short tax years) on or before December 31, 2016. For Collectives that have completed more than one year of operation in the city (including any short year) by December 31, 2016, the City will accept a multi-year audit provided each individual tax period is presented in accordance with professional auditing standards.

Collectives that did not transact and carried on business in the city during any part of a prior calendar or fiscal tax year (including any short tax year) are not required to file an annual audit for those periods. Collectives that will complete an initial year of operation in the city (including any short year) on or before December 31, 2017, must file an annual audit by February 15, 2018.

➤ *The following discussion explains **how** your certified annual audit must be done:*

Initial annual certified audit filings for Collectives that have completed their initial fiscal year period on or before December 31, 2016 are due by February 15, 2017. The annual certified audit must take the form of either:<sup>1</sup>

- (1.) An Independent Financial Audit, or
- (2.) An Audit Review by an Independent Certified Public Accountant

As provided in section 18-617.5 [[SAMC Sec.18.617.5 – Audits.](#)] the annual audit must be in accordance with generally accepted auditing and accounting principles and must include a

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<sup>1</sup> An Auditor's Compilation of financial records may not be substituted.

discussion, analysis, and verification of each of the records required to be maintained under SAMC Section 18.617.4 [\[SAMC Sec.18.617.4 - Maintenance of records.\]](#).

The auditor must state in the auditor's report that the financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) and the financial audit/audit review must follow Generally Accepted Auditing Standards (GAAS). The auditor shall perform those procedures necessary to provide a reasonable basis for obtaining adequate assurance that no material changes are needed to bring the financial statements into compliance with the applicable financial reporting framework.

For Collectives electing to meet their annual audit requirement by way of an Audit Review by an Independent Certified Public Accountant, a list of expected audit procedures is provided below:

The types of expected audit procedures to be conducted in an Audit Review by an Independent Certified Public Accountant include:

- Conduct a ratio analysis with historical, forecasted, and industry results
- Investigate findings that appear to be inconsistent
- Inquire about the procedures for recording accounting transactions
- Investigate unusual or complex situations that may impact reported results
- Investigate significant transactions occurring near the end of the accounting period
- Investigate significant journal entries
- Review communications from regulatory agencies
- Read the financial statements to see if they appear to conform with the applicable financial reporting framework
- Review management reports of any accountants who reviewed or audited the entity's financial statements in prior periods (where applicable)
- Follow up on questions that arose during previous reviews (where applicable)
- Inquire about material events that occurred after the date of financial statements (where applicable)
- Include discussion, analysis, and verification of financial records enumerated in SAMC Section 18-617.4 as item (5):

. . .

- (5) All receipts of the collective, including but not limited to all contributions, reimbursements, and reasonable compensation, whether in cash or in kind, and all expenditures incurred by the collective for the cultivation of medical marijuana; and

. . .

- Include non-financial regulatory records enumerated in SAMC Section 18-617.4 as items (1) through (4) and item (6) - shown below - as a “supplemental report” to the Audit Review:

- (1) The full name, address, and telephone number(s) of the owner, landlord and/or lessee of the location;
- (2) The full name, address, and telephone number(s) of all members who are engaged in the management of the collective and the exact nature of each member's participation in the management of the collective;
- (3) The full name, address, and telephone number(s) of all patient members to whom the collective provides medical marijuana, a copy of a government-issued identification card for all patient members;
- (4) The full name, address, and telephone number(s) of all primary caregiver members to whom the collective provides medical [marijuana];

. . .

*and*

. . .

- (6) Proof of compliance with the California Attorney General Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use.

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The certified annual audit, whether filed in the form of an Independent Financial Audit or an Audit Review by an Independent Certified Public Accountant, will constitute a regulatory compliance component to be reviewed by the City’s auditing agent as part of their independent verification of each Collective’s compliance with the regulatory and local tax requirements of Measure BB - Santa Ana Municipal Code Ordinance No. NS-2864.