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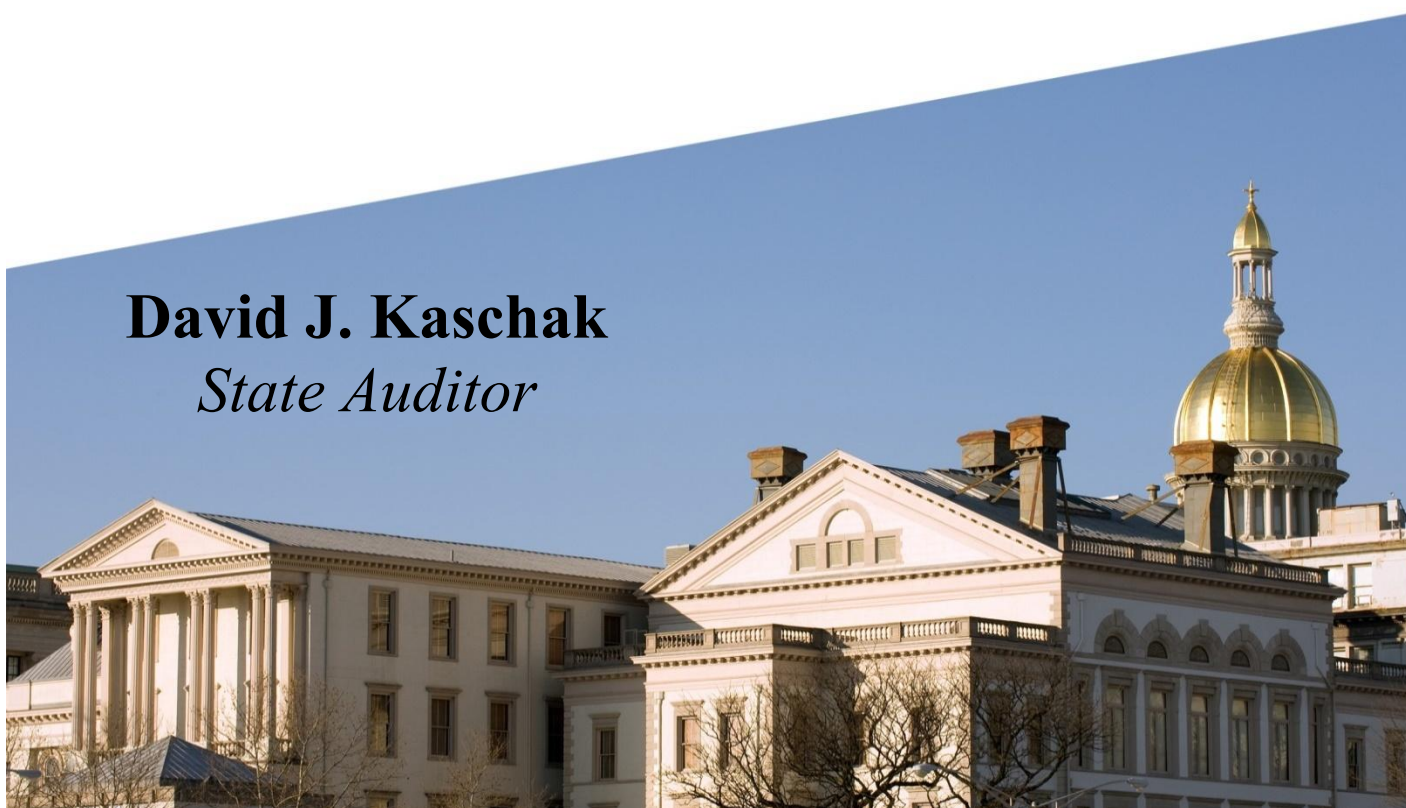
OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

New Jersey Cannabis Regulatory Commission

July 1, 2022 to October 31, 2025

David J. Kaschak
State Auditor



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Enclosed is our report on the audit of the New Jersey Cannabis Regulatory Commission for the period of July 1, 2022 to October 31, 2025. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in cursive script that reads "David J. Kaschak".

David J. Kaschak
State Auditor
May 6, 2026

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Scope

We have completed an audit of the New Jersey Cannabis Regulatory Commission (CRC or commission) for the period July 1, 2022 to October 31, 2025. The CRC seeks to establish and grow a responsible, regulated medicinal and personal use cannabis industry. It centers its work around creating and protecting access for patients along with the production of safe products.

Our audit focused on the commission's oversight of personal use cannabis and included expenditure activities accounted for in the General Fund and the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (CREAMM) Fund. Expenditures and revenues of those two funds for the period July 1, 2022 to October 31, 2025 totaled approximately \$85 million and \$217.9 million, respectively. Unexpended balances as of October 31, 2025 totaled approximately \$105.8 million, which included approximately \$26.8 million in the CREAMM Fund's Underage Deterrence and Prevention Account. Revenues were excluded from audit testing because they are collected by the Department of the Treasury, Division of Revenue and Enterprise Services and are presented for informational purposes only.

Objectives

The objectives of our audit were to determine whether expenditures were related to the commission's programs, were reasonable, and were recorded properly in the accounting systems. An additional objective was to determine the commission's compliance with applicable laws pertaining to personal use cannabis.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and bylaws, policies, and resolutions of the commission. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, analysis, and through our testing. We also interviewed commission personnel to obtain an understanding of the internal controls. In order to achieve our objectives, we performed various comparisons and interviews as we deemed necessary. Additional detail regarding our methodology and work performed can be found in the Appendix, as well as in the findings and observation sections when testing resulted in a reportable condition.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

Data Reliability

We assessed the reliability of the METRC System's data used by the commission for seed-to-sale tracking of cannabis products. We also assessed the reliability of the NIC Licensing System's data relating to the submission and approval of cannabis business licenses. We have reviewed the data and interviewed key personnel knowledgeable about these systems. We determined that the data was sufficiently reliable for the purposes of this report.

Certain other data in our report was used to provide background information. Data we used for this purpose was obtained from the best available sources. *Government Auditing Standards* does not require us to complete a data reliability assessment for data used for this purpose.

Conclusions

We found the expenditures included in our testing were related to the commission's programs, were reasonable, and were recorded properly in the accounting systems. We also found the commission complied with applicable laws pertaining to personal use cannabis. In making these determinations, we observed unlicensed businesses selling cannabis products. We also noted certain issues meriting management's attention regarding deficiencies in the oversight of cannabis laboratories, an absence of standard operating procedures pertaining to board preparation and complaints, and a lack of spending from the Underage Deterrence and Prevention account.

Background

The CREAMM Act (P.L.2021, c.16) was approved on February 22, 2021, and the CRC was officially established on April 12, 2021. The commission consists of approximately 85 employees, and five board members make up the Board of Commissioners (board). As of October 31, 2025, only three board seats were filled. The CRC's organizational structure includes, but is not limited to, the Office of Licensing, the Office of Compliance and Investigations, and the Office of Data Analytics and Information Technology.

The CRC is funded through the CREAMM Fund as established by N.J.S.A. 24:6I-50, which states that monies in the fund shall be appropriated by the legislature to oversee the development, regulation, and enforcement of activities associated with the personal use of cannabis and assist with assuming responsibility from the Department of Health for the further development and expansion, regulation, and enforcement of activities associated with the medical use of cannabis pursuant to the Jake Honig Compassionate Use Medical Cannabis (Jake Honig) Act, which provides the framework for the medicinal use of cannabis in New Jersey.

The CREAMM fund consists of all fees and penalties collected by the commission, all tax revenues on retail sales, all revenues per the Jake Honig Act, and all tax revenues from intoxicating hemp beverages plus associated fees, minus any amounts credited to the Property Tax Relief Fund in accordance with the CREAMM Act. Fifteen percent of monies deposited shall be placed into an account within the fund to be known as the Underage Deterrence and Prevention Account.

In addition, the CREAMM Act established a Social Equity Excise Fee (SEEF) to be collected from cannabis cultivators when they sell or transfer products to any other license class. The CRC may adjust the SEEF amount annually. The 2024 rate was \$1.24 per ounce, and the 2025 rate was \$2.50 per ounce. The statute requires the CRC to make recommendations to the governor and legislature for social equity appropriations not less than 60 days prior to each state fiscal year. The required recommendations were made; however, as of October 31, 2025, no expenditures have been made from this account, thereby creating a balance of approximately \$11.6 million. The FY 2026 Appropriations Act appropriated \$11.9 million to the Department of Corrections from this account to support the purchase of community services grants.

Monies in the CREAMM fund, other than those derived from the SEEF and monies placed into the Underage Deterrence and Prevention Account, shall be appropriated annually. At least 70 percent of the tax revenues on retail sales of cannabis items shall be appropriated for investments in the community, including through grants, loans, reimbursement of expenses, and other financial assistance in municipalities defined as an “impact zone”. The remainder of the fund balance should be used for:

- overseeing the development, regulation, and enforcement activities associated with the personal use of cannabis and assisting with assuming responsibility for the further development and expansion, regulation, and enforcement of activities associated with the medical use of cannabis,
- reimbursing the expenses incurred by any county or municipality for the training costs associated with the attendance and participation of a police officer from its law enforcement unit, and
- further investments in municipalities defined as an impact zone.

Any remaining available monies after appropriation shall be deposited into the state’s General Fund.

As of September 18, 2025, the CRC reported a total of 3,071 submitted applications since inception, and the following number of personal use licenses have been approved:

- 1,638 conditional licenses – provisional award that gives an applicant 120 days to secure a site and municipal approval and convert to an annual license

- 291 annual licenses – full authorization to operate a cannabis business in New Jersey
- 459 conversion licenses – converting a conditional license to an annual license
- 84 expanded alternative treatment centers – authorized to operate both personal use and medicinal cannabis operations

Observation

Unlicensed Businesses

The sale of illegal cannabis (marijuana) products by unlicensed businesses in New Jersey poses significant safety risks and public health concerns.

Unlicensed businesses are selling illegal cannabis¹, as well as other illicit products such as mushrooms. The commission does not have legal enforcement capabilities to address unlicensed businesses. As a result of not being licensed by the commission, these businesses may not adhere to regulatory requirements designed for public health and safety, including:

- product safety testing,
- storage standards,
- packaging requirements,
- limits on the amount of products sold per customer,
- limits on operating multiple locations, and
- age restrictions for purchases or ID verification when entering establishments.

During our audit, we identified the following items of significant note:

Deceptive Public Advertising and Misrepresentation

We noted billboards in New Jersey and a neighboring state advertising unlicensed businesses. In addition, N.J.A.C. 17:30-17.2(d)(6) prohibits advertising on billboards that are not on the real property where the cannabis business is located. One business used the slogan “Finally Legal in N.J.!” which could lead the public to believe they are operating a legal cannabis business. This same business displayed its conditional license in its store, misleading the customers to assume it is legally operating.

¹ Legally referred to as marijuana

Out-of-State Sources

During our online review of unlicensed businesses, we noted the source of marijuana products was from other states. According to N.J.A.C. 17:30-9.1(a)(2), all legal cannabis business premises shall be located within the State of New Jersey. Legal cannabis products must be cultivated, manufactured, processed, and packaged on premises within New Jersey (seed-to-sale). Legal packaging must meet certain labeling requirements and must contain the commission's established universal symbol as required by N.J.A.C. 17:30-16.6.

Extreme Potency

We noted unlicensed businesses selling products with potency levels well over the legal threshold of 100 mg per ingestible product per package. Products containing between 500 and 1,000 mg per package were listed for sale on the websites of those establishments.

Packaging Attractive to Children

We noted packaging that does not meet the regulatory requirements for legal cannabis businesses. N.J.A.C. 17:30-16.5(a)(6)(i) prohibits packaging that is attractive to children. Candy, food products, characters, and cartoon characters are expressly prohibited. The products like these shown below and on the following page appear to meet the criteria of prohibited packaging and could be attractive to children.





Note: We have redacted the brand names of cannabis products pictured.

In addition to creating safety risks and public health concerns, the commission loses out on revenues from sales tax, Social Equity Excise fees, and licensing fees. Furthermore, legal businesses are burdened by compliance costs and have difficulty competing with unlicensed businesses that can keep their prices lower, therefore drawing a higher customer base.

Subsequent to our audit period, P.L.2025, c.325 was signed into law stating the New Jersey State Police, "in consultation with local law enforcement agencies and the Cannabis Regulatory Commission, shall develop and implement an enforcement program to identify, investigate, and initiate enforcement action against any person or entity engaged in the unlicensed manufacture, distribution, or sale of purported cannabis or cannabis items."



Findings

Laboratory Testing Results

The commission failed to oversee its testing laboratories, leading to questionable test results and potential public health and safety risks.

As of September 30, 2025, there were eight licensed and active testing labs in New Jersey. The CRC signed resolution 2021-9 on June 1, 2021 designating the testing standards established by the State of Maryland as the interim testing standards to be used until such time that standardized requirements and procedures are established by the commission for testing laboratories (labs). The CRC amended the impurity limit effective January 12, 2024 for Total Yeast and Mold Counts to less than 100,000 CFU/g for Raw Plant Material and Raw Prerolls to be consistent with the State of Maryland's testing standards.

What is CFU/g?

CFU/g is an abbreviation for colony forming units per gram and is the unit used to measure the number of viable microorganisms per given amount of a sample.

We noted the commission lacked the necessary tools to effectively extract, analyze, and monitor the test results reported in METRC (seed-to-sale cannabis tracking system) to ensure the accuracy of the results being reported. Additionally, the commission did not have procedures to determine the reasonableness of test results and did not have a dedicated independent means to test randomized samples to verify the accuracy of lab results.

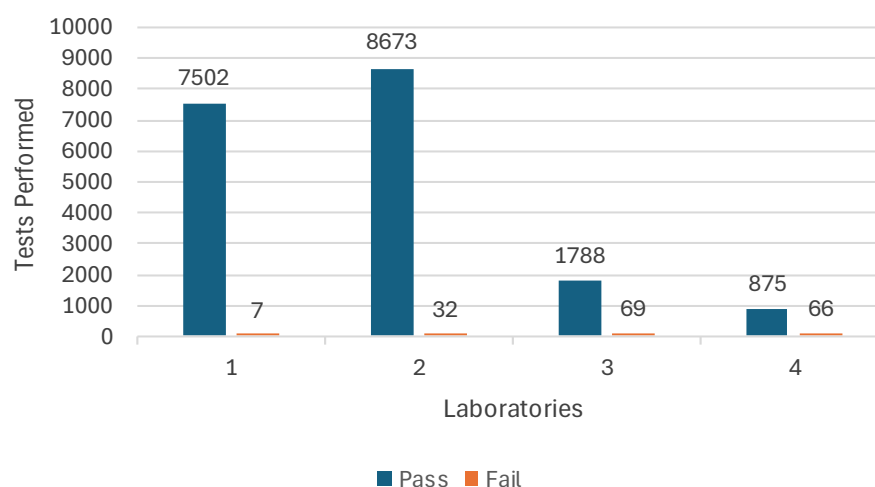
Total Yeast and Mold Testing

We analyzed the test results for Total Yeast and Mold (TYM) of Buds² for the period January 12, 2024 through September 30, 2025. We found the average fail rate during this period for all labs was 1.05 percent, which is significantly less than those reported by other states (approximately 5 percent for Maryland and Michigan). Two of the labs that processed 84 percent of the TYM testing had failure rates of less than 0.40 percent. We noted one of the labs only had one failed test in 2025 out of approximately 4,000 tests processed. The charts on the following page present failure rates among the four labs with the highest TYM testing volumes along with the market share for these labs.

² Buds consists of Bud/Flower, Bud/Flower – Bulk, and Bud/Flower – Packaged

Laboratory #	Pass	Fail	Total Tested	Market Share
1	99.91%	0.09%	7,509	39.03%
2	99.63%	0.37%	8,705	45.25%
3	96.28%	3.72%	1,857	9.65%
4	92.99%	7.01%	941	4.89%
Total for Four Labs Above			19,012	98.82%
Grand Total of All Labs			19,238	100.00%

Pass-Fail Results for Total Yeast and Mold



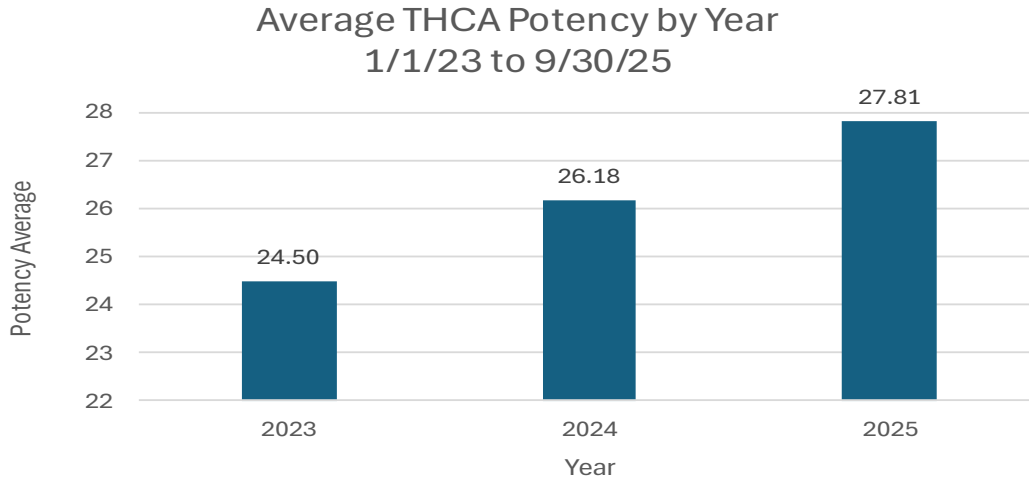
According to a scientific study³, contaminant fungi in cannabis poses a recognized health risk to individuals with susceptible conditions, such as those who are immunocompromised. These fungi can cause opportunistic infections on the skin and lung tissues, which could lead to life-threatening conditions. *Aspergillus* was the most common organism associated with infection of cannabis users, which may cause respiratory problems, allergic reactions, and fungal infections.

THCA (potency) Testing

Maryland's standards, which the commission has adopted, state that elevated THCA (potency) levels will routinely be monitored and confirmed by their regulatory agency, and enforcement actions will be taken for labs falsely reporting elevated potency levels in METRC and on their

³ Kimberly D. Gwinn, Maxwell C. K. Leung, Ariell B. Stephens, Zamir K. Punja, "Fungal and mycotoxin contaminants in cannabis and hemp flowers: implications for consumer health and directions for further research," *Frontiers in Microbiology*, Volume 14 (2023), <https://www.frontiersin.org/journals/microbiology/articles/10.3389/fmicb.2023.1278189/full>

Certificates of Analysis. We analyzed the THCA levels of Buds for calendar years 2023, 2024, and 2025 through September 30, 2025. The average potency level in the state increased 13.48 percent, growing from an average of 24.5 percent to 27.81 percent.



We further reviewed the three labs that tested the greatest volume of packages and reported the highest potency levels in 2025 (through September 30, 2025) and accounted for 94.84 percent of the testing market share. These labs averaged a 20.77 percent annual increase in potency over the period reviewed, with one lab's potency increasing by 33.25 percent.

CY	Analysis Category	1	2	3	Average THCA Level Statewide / Total Market Share	Average THCA Level/Percentage of Market Share for the top three labs
2023	Average of Test Result Level	22.47	26.36	21.75	24.50	24.52
2023	Count of Package Lab Sample ID	4,323	4,871	33	10,059	9,227
2023	Market Share	42.98%	48.42%	0.33%	100.00%	91.73%
2024	Average of Test Result Level	26.27	26.48	25.15	26.18	26.31
2024	Count of Package Lab Sample ID	3,506	4,792	564	9,526	8,862
2024	Market Share	36.80%	50.30%	5.92%	100.00%	93.03%
2025	Average of Test Result Level	27.39	28.24	28.97	27.81	27.98
2025	Count of Package Lab Sample ID	4,070	4,019	1,297	9,897	9,386
2025	Market Share	41.12%	40.61%	13.10%	100.00%	94.84%
Increase in Potency (THCA) from 2023-2025		4.92	1.89	7.23	3.30	3.46
Potency (THCA) Percentage Change from 2023-2025		21.91%	7.16%	33.25%	13.48%	14.10%
Market Share Percentage Change from 2023-2025		-4.31%	-16.14%	3894.64%		

Pursuant to N.J.A.C. 17:30-18.3(c)(4), a license applicant or holder is deemed not qualified to hold a license if the applicant or holder provides untrue or misleading information regarding a material fact related to the qualification criteria for a testing license. The commission opened an investigation on July 30, 2025 into two of the labs previously mentioned regarding TYM testing results for result values that dropped off drastically at the regulatory limit resulting in low failure rates, which the commission asserts cannot be explained simply by pointing to the scarcity of mold in the cannabis being tested. The commission also opened investigations on July 30, 2025 into the three labs mentioned on the previous page regarding increased THCA levels that were not only statistically significant but represented a larger change than can be explained simply by pointing to the increased potency of cannabis being tested. The investigations are ongoing.

In addition, the commission opened investigations into seven labs between July 30 and September 18, 2025 for failure to follow required testing procedures. The commission sent notices of violations to the labs stating that failure to perform tests with the specified sample size and/or methodology is in direct violation of the adopted testing guidelines.

Recommendation

We recommend the CRC develop procedures to regularly analyze and monitor lab testing results to determine the reasonableness of the results. In addition, the CRC should design and implement an independent means to test randomized samples to verify the accuracy of the lab results.



Underage Deterrence and Prevention Account

No funds have been expended from the Underage Deterrence and Prevention Account.

N.J.S.A. 24:6I-50 created the Underage Deterrence and Prevention Account (account) within the CREAMM fund. The purpose of this account is to fund various programs that were designed to encourage, improve, and support youthful community activities to divert and prevent persons under 18 years of age from activities associated with the consumption of cannabis. The statute further required that funds deposited in the account be used by the commission based on the acceptance of applications submitted on a form and through an approval or denial process promulgated by the commission; however, as of October 31, 2025, no processes have been promulgated.

The appropriations acts for fiscal years 2024 and 2025 allowed the commission, as well as other departments and councils, to use these funds subject to the approval of the New Jersey Department of the Treasury. However, the fiscal year 2026 Appropriations Act does not permit the commission to use these funds, rather it appropriated \$41 million for the following purposes:

- \$34.6 million to the Department of Children and Families to fund the New Jersey Statewide Student Support Service (NJ4S) grant program;

- \$1 million to the Department of Human Services for a grant to Partnership for a Drug-Free New Jersey; and
- \$5.4 million to support the Governor’s Council on Substance Use Disorder.

As of October 31, 2025, no funds had ever been expended from the Underage Deterrence and Prevention Account, thereby allowing the account to accumulate to approximately \$26.8 million⁴. As a result, no programs have been funded for the deterrence and prevention of underage cannabis consumption from the account since personal use cannabis was legalized.

Recommendation

We recommend the commission promulgate an approval and denial process to disburse funds should they have access to the Underage Deterrence and Prevention Account in future years.



Complaints

Complaints are not consistently documented by the commission.

The CRC does not have standard operating procedures (SOPs) for documenting the investigation or resolution of complaints. Complaints are received directly through the commission’s Office of Compliance and Investigations (OCI) or through the Office of Patient and Customer Services (OPCS) within the commission. Complaints are tracked on a shareable spreadsheet; however, complaint resolutions are not consistently recorded in the file. Best practices by CRC management should include developing control activities through policies that establish what is expected and procedures that put policies into action.

We noted a total of 521 complaints were received between July 1, 2022 and July 22, 2025. We judgmentally selected a sample of 19 complaints, based on the nature of the complaint or the licensee, and found 12 (63 percent) did not have an incident report. Incident report forms were developed and used by the OPCS to document pertinent information such as incident date and details, complainant contact information, and final resolution of complaint. The OCI does not use this form for complaints. Although not required, adopting a standardized form would ensure complaint investigations are documented uniformly. In addition, we found 12 of 15 (80 percent) complaints that were resolved did not have the resolution documented on the spreadsheet. Without SOPs, complaints may be handled inconsistently, and the CRC may miss opportunities to identify issues that may require regulatory changes, enhancements to operational effectiveness, or recurring compliance matters.

⁴ The CRC made recommendations for the allocation of funds in the Underage Deterrence and Prevention Account in the amount of \$13.5 million in December 2024. The CRC neither received approval to use these funds nor was an approval or denial process promulgated to disburse the funds.

Recommendation

We recommend the CRC develop standard operating procedures for the documentation of complaints and their resolution.



Board Meeting Preparation

The absence of standard operating procedures led to inconsistent board preparation timelines, the exclusion of actionable items from virtual agendas, and changes to board meeting dates with limited notice.

The annual board meeting schedule for 2025 was set in accordance with N.J.S.A. 24:6I-24 and included six in-person and four virtual meetings. The commission's Office of Licensing (Licensing) developed an informal timeline for board preparation periods, including dates that agenda recommendations must be finalized for chair approval, based on historical preparation periods. The board has not developed standard operating procedures for the preparation of board agenda materials, items included on the agenda to be presented for board approval, or board meeting date changes. Best practices by CRC management should include developing control activities through policies that establish what is expected and procedures that put policies into action.

Board Preparation Timelines

We reviewed board preparation timelines for ten meetings held between December 2024 and October 2025 and noted the dates that agenda recommendations must be finalized for chair approval for two meetings were approximately 50 days in advance of the scheduled meeting, nearly three weeks longer than the average timeline. Consistent timelines support staff in aligning daily work tasks as well as maximizing applications presented to the board. We noted the agenda recommendation deadline date for the June 5 meeting was April 17 as requested by the board on April 8. This reduced the anticipated timeline by 20 days and possibly reduced the number of licensing application approvals presented during this meeting.

Agenda Items for Board Approval

A decision was made by the board to limit the virtual board meeting agendas and public voting to only cannabis business applications, thereby delaying other actionable items from progressing through the approval process. For example, using the June 5, 2025 timeline from above, a request for a determination of rehabilitation received on April 18 would not appear on a board agenda until the August 7 in-person board meeting. The determination of rehabilitation assesses whether an applicant with disqualifying convictions has demonstrated sufficient evidence of rehabilitation to be approved for employment. Delays in this determination may adversely impact the applicant's job opportunity.

Board Meeting Dates

We reviewed the approved 2025 board meeting schedule and noted that five of the nine board meeting dates between February and October 2025 were changed by the board.

		Days		Reason
		Date	Prior to	
		Meeting	Board	
Original Date	New Date	Changed	Meeting	
2/6/2025	2/18/2025	2/5/2025	1	Delayed Opening
3/6/2025	3/18/2025	3/5/2025	1	Appointment of new Commissioner
6/5/2025	6/12/2025	6/3/2025	2	Materials not yet finalized
7/10/2025	7/15/2025	7/2/2025	8	No Quorum
10/2/2025	10/1/2025	9/10/2025	22	License Renewal Deadlines

Finalizing agenda recommendations early or excluding actionable items from virtual agendas and changing board meeting dates delays approvals, disrupts staff operations, and weakens public transparency. In addition, public participation may be reduced when board meeting dates are changed with limited notice.

Recommendation

We recommend the CRC develop standard operating procedures for board meeting preparation timelines, agendas, and board meeting dates.



Appendix

Methodologies to Achieve Audit Objectives

To determine if expenditure transactions were related to the commission's programs, were reasonable, and were recorded properly in the accounting systems, we judgmentally selected 10 transactions totaling \$606,018. During fiscal years 2023, 2024, and 2025, the total General Fund expenditure population was 1,604 transactions totaling \$80,251,196.

To determine if any related party transactions existed with commission employees, we matched employee identifications with vendor identifications through August 13, 2025.

To determine if licenses were approved in accordance with relevant laws and regulations, we judgmentally selected a sample of 17 of 897 licenses approved between July 28, 2022 and April 25, 2025 based on the nature of the application and licensee. We reviewed supporting documentation to determine whether the approvals were appropriate.





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New Jersey Cannabis Regulatory Commission
Response to Audit Findings

Observation: Unlicensed Businesses

The sale of illegal cannabis (marijuana) products by unlicensed businesses in New Jersey poses significant safety risks and public health concerns.

The NJ-CRC's Official Response:

In accordance with the "Jake Honig Compassionate Use Medical Cannabis Act." (P.L.2019, c.153), and the "New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act" (P.L.2021, c.16), the New Jersey Cannabis Regulatory Commission's ("Commission" or "NJ-CRC") responsibility and oversight is limited to regulated businesses operating in the medical and adult-use cannabis industries. See N.J.S.A. 24:6I-24 and -34. Recently enacted P.L.2025, c.325 states that the New Jersey State Police, "in consultation with local law enforcement agencies and the Cannabis Regulatory Commission, shall develop an enforcement program to identify, investigate, and initiate enforcement action against any person or entity engaged in the unlicensed manufacture, distribution, or sale of purported cannabis or cannabis items, which activities violate N.J.S.2C:35-5 as the unlawful manufacturing, distribution, or dispensing of marijuana." While this provision now empowers the NJ-CRC to take a role in developing

an enforcement program, only the New Jersey State Police or the local law enforcement agency has the authority to take such necessary steps to close illegal businesses, seize illegal product, and refer any violations to the Office of the Attorney General or county prosecutor for criminal prosecution. Accordingly, the NJ-CRC does not have enforcement authority over the unregulated manufacturing, distribution, and use of illegal marijuana within New Jersey, which remain within the purview of local, county, and State law enforcement.

On January 12, 2026, Governor Phil Murphy signed P.L. 2025, c.215, New Jersey's new intoxicating hemp law. The law was enacted to close the loopholes created by the 2018 Farm Bill that allowed smoke shops, gas stations, convenience stores, and online retailers to sell intoxicating THC products without holding cannabis licenses. On March 30, 2026, Governor Mikie Sherrill signed P.L. 2026, c.7, which amended several provisions of P.L. 2025, c.215. The new law establishes a regulatory framework for intoxicating hemp-derived products and updates New Jersey law to align with recent federal definitions of hemp. Items that no longer meet the definition of "hemp" will be considered "cannabis" or "marijuana" and will be subject to the State's laws and regulations. The same will be true after November 13, 2026, for beverages derived from hemp that exceed 0.4 milligrams of total THC per container. In addition, the law makes it unlawful to sell or distribute a product intended for human consumption that contains THC in any detectable amount to a person under 21 years of age.

Finding #1: Laboratory Testing Results (Yeast/Mold Testing and THCA Potency)

The Commission failed to oversee its testing laboratories, leading to questionable test results and potential public health and safety risks.

Report Recommendation: We recommend the NJ-CRC develop procedures to regularly analyze and monitor lab testing results to determine the reasonableness of the results. In addition, the NJ-CRC should design and implement an independent means to test randomized samples to verify the accuracy of the lab results.

The NJ-CRC's Official Response:

Problems with cannabis testing labs have been prevalent across states with legal cannabis since Colorado became the first state to require testing in 2014. As of this month, thirteen other states have either established state-run cannabis testing laboratories or contracted with independent third-party labs (CANNRA).

The NJ-CRC has been working for some time to strategically address similar enforcement issues within New Jersey.

First, prior to the audit, the NJ-CRC made efforts to hire a Cannabis Laboratory Evaluation Manager in the Office of Compliance and Investigations to oversee the regulation of licensed testing laboratories in the State. While the NJ-CRC has since hired a Cannabis Laboratory Evaluation Manager, additional resources would be necessary to hire additional team members to support the manager. This would allow for the creation of a unit dedicated to effectively monitoring the licensed testing laboratories in the State.

Second, the NJ-CRC is exploring the creation of an independent testing laboratory, which would address concerns raised related to testing randomized samples and deterring lab shopping. This can be achieved either by contracting with a third party or another state agency to utilize an existing laboratory, or by building the NJ-CRC's own testing laboratory.

In the near term, while in-house resources are being added, the NJ-CRC will be contracting with an independent laboratory scientist with cannabis research experience to facilitate bi-annual reports on testing data. This scientist will also assist the NJ-CRC in developing day-to-day data surveillance strategies to allow for the immediate and enhanced use of targeted, data-driven enforcement actions. This type of data analytics has already been deployed to support notices of violations issued to existing cannabis testing laboratories.

The NJ-CRC is also committed to increasing the transparency of the testing data and will be offering public facing dashboards on the tableau cloud platform in the near future. These dashboards will contain the summarized results of key testing categories like THCA and Total Yeast & Mold to help shine a light on anomalies or troubling patterns.

Finally, the NJ-CRC has adopted a policy of sharing de-identified cannabis testing data with researchers, scientists, or members of the public who request such data. Not only is this best practice for public health and consumer data, but it enables qualified professionals and students to analyze and report on New Jersey's testing data. These types of partnerships are invaluable, especially as a method to mitigate resource constraints.

Finding #2: Underage Deterrence and Prevention Account

No funds have been expended from the Underage Deterrence and Prevention Account.

Report Recommendation: We recommend the Commission promulgate an approval and denial process to disburse funds should they have access to the Underage Deterrence and Prevention Account in future years.

The NJ-CRC's Official Response:

The Office of the Treasury encumbered \$41,000,000 of Underage Deterrence and Prevention Account (UDPA) funds in Fiscal Year 2026 to fund the following programs: the Department of Children and Families received \$34,600,000 to support a Statewide Student Support Services program, the Department of Human Services received \$1,000,000 for the Partnership for a Drug-Free New Jersey and finally the Governor's council on Substance Abuse Disorder received \$5,400,000 in funding. In Fiscal Year 2027, the Department of the Treasury has allocated \$6,400,000 UDPA funds to support two programs. The Department of Human Services will receive \$1,000,000 for the Partnership for a Drug-Free New Jersey and the Governor's Council on Substance Abuse Disorder is being allocated \$5,400,000 in UDPA funding. The NJ-CRC has started to outline the process for creating a grant program to disburse funds through the UDPA.

Additionally, the NJ-CRC would need to promulgate regulations concerning the standards to approve or deny a grant. Absent such regulations, the NJ-CRC is unable to process grants. The NJ-CRC would also need to procure a grant tracking system before implementing a grant program. The NJ-CRC staff is working to develop a Request for Proposal (RFP) process to prepare for the procurement of the grant tracking system.

Lastly, the NJ-CRC would need to hire at a minimum two (2) additional staff members to support a grant program. These new hires would be responsible for writing grants, tracking the progress of the awards, and remitting payments. Even so, the NJ-CRC would be required to gain approval to allocate UDPA funds through the budget process.

Finding #3: Complaints

The NJ-CRC does not have standard operating procedures for documenting the investigation of or resolution of complaints.

Report Recommendation: We recommend the NJ-CRC develop standard operating procedures for the documentation of complaints and their resolution

The NJ-CRC's Official Response:

Although the NJ-CRC has a system to consistently record complaints, the agency has been making efforts to improve its efficiency and effectiveness. While incoming incident reports, complaints, and inquiries have always been documented by the agency, it lacked a single, agency-wide, standard operating procedure to support resolution tracking.

As the agency grew from its inception in 2021, ad hoc systems—using spreadsheets and department specific workflows—emerged to handle an ever-growing number of engagements with important stakeholders. The NJ-CRC acknowledges the need to ensure consistent workflows and employee activities through policies that establish what is expected and procedures that put those policies into action.

To address this deficiency, the NJ-CRC is in the final stage of deploying a cloud-based stakeholder resource and case management platform using Salesforce. The new solution will allow the NJ-CRC to automate responses to all phone and email inquiries, assign a case number to those inquiries, and track them through resolution and response with agency-wide reports and dashboards. Leveraging this technology, the NJ-CRC has developed a new agency-wide standard operating procedure for the receipt, response and escalation of inquiries to the NJ-CRC. Every interaction with the public will soon be standardized.

All interactions are now to be tracked as a case with an assigned case number shared with the person making the inquiry. Cases that meet certain criteria are elevated to investigation. Investigations with actionable findings are elevated to notices of violations, and/or referred to other agencies or law enforcement, as appropriate.

In a further attempt to simplify the process of contacting the NJ-CRC, expedite responses, and accurately record outcomes, the NJ-CRC is redeploying resources within the agency to allow for a single point of contact for inquiry receipt and resolution tracking by a dedicated customer service team. For all incoming calls, a single public-facing number will soon replace multiple contact numbers for the NJ-CRC. Utilizing the technology and workflow support in a new CRM platform, the dedicated customer service team will be able to

access information across IT systems and bring disparate data sources together into a single source of information for the NJ-CRC.

This solution will help ensure efficient and effective interactions between and among the NJ-CRC employees, as well as with key internal and external stakeholders. The system will use both guided workflows and interactions among employees across departments to enhance productivity and agility.

In addition, the new system will allow the NJ-CRC to track and report on key data points necessary for continuous improvement. Both processes and outcome metrics will be tracked and reported in real time. This will allow for the development and sharing of Key Performance Indicators (KPIs), which are vital for process improvement.

In summary, the NJ-CRC has taken steps to address the auditor's observations by standardizing and memorializing operating procedures, leveraging new technology, redeploying agency resources, and streamlining public engagement.

Finding #4: Board Meeting Prep (Timelines/Agenda Items for Approvals/Meeting Dates)

The absence of standard operating procedures led to inconsistent board preparation timelines, the exclusion of actionable items from virtual agendas, and changes to board meeting dates with limited notice.

Report Recommendation: We recommend the NJ-CRC develop standard operating procedures for board meeting preparation timelines, agendas, and board meeting dates.

The NJ-CRC's Official Response:

The NJ-CRC's executive leadership continues to collaborate with the Board of Commissioners to ensure that actionable items are included on a public meeting agenda as soon as the items are deemed ready for board consideration. Ultimately, however, it is the Chair who sets the agenda. In collaboration with new board leadership, the NJ-CRC is developing new standard operating procedures to ensure that every item that is deemed ready for Board review and approval will be considered as soon as reasonably possible at a public meeting.

Staff conduct multiple rounds of quality control checks on all applications before they are submitted to the Board. This limits the amount of time needed for Board review and to reduce the need for further outreach to an applicant to clarify matters once recommended for approval. When applications are deemed complete and ready, Commissioners can begin their review of application materials after completing a check for any conflicts of interest. This process will make application consideration less driven by board meeting dates and more by when applications are complete. Moving forward, the timeline to prepare for a public meeting will be streamlined so that agendas are finalized closer to the meeting date, therefore, reducing delays in application processing.

Additionally, this process aims to reduce the number of applications that are pulled from agendas without a clear reason for more investigation. Multiple coordination meetings between executive leadership, directors, and Commissioners have been incorporated to the board meeting preparation schedule. These meetings provide Commissioners with the opportunity to ask questions or raise concerns regarding any recommended applications well in advance of a meeting. This allows staff and applicants sufficient time to adequately respond to the Commissioners and reduce the number of applications removed from the agenda for further investigation.

These standard operating procedures will ensure that consistent and reasonable timelines are in place, robust agendas are recommended to the Board, and meeting dates remain the same. The customer resource management system being deployed by the CRC also

includes a module that provides for the creation of meeting timelines, the review of information and enhanced capability to track tasks and assignments in a repeatable way.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Riggs", is displayed on a light blue rectangular background.

Christopher J. Riggs, Esq.

Acting Executive Director
Cannabis Regulatory Commission