

June 2, 2023

INDUSTRY BULLETIN: 23-03

RE: Alert - Ongoing Incidents of Fraud

Dear Stakeholders:

Since October 2020, the Marijuana Enforcement Division (MED) has been diligent in alerting all Licensed Marijuana Business Owners of incidents of fraud through educational outreach, consistent messaging in public forums, and the following Industry Bulletins:

[20-08 Alert: Reports of Fraud](#)

[21-05 Alert: Escalating Incidents- Reports of Fraud and Social Media and the Use of Secure Applications](#)

[21-08 Alert: Intensifying Incidents- Reports of Fraud](#)

Despite the collaborative efforts of MED Investigators and Licensees' increased awareness, fraudulent activity is still occurring.

Since these bulletins were published, MED staff have learned about additional fraudulent methods used to attempt to defraud businesses. In several incidents, suspects were successful in obtaining significant amounts of cash from licensees.

Similar to the attempts described in the Industry Bulletins previously sent out, licensed businesses have reported receiving calls or texts from individuals:

- reporting a pending equipment delivery to the licenses business that requires a cash payment that a "FedEx" employee would pick up;
- requesting employees take photos of fire extinguishers, emergency alarms, exits, safes, and marijuana products;
- impersonating an owner, instructing employees to count the daily deposits and deliver cash from the business to a location off-premises, often a bitcoin ATM, to pay an urgent bill or licensing renewal fees;
- impersonating a new owner of the business, indicating that the license was being sold, and cash was needed to finalize the contract. After delivering cash to a bitcoin ATM, the suspect requested the employee's debit card number to receive a reward for his assistance. The employee's personal funds were transferred out of the account.

- impersonating a law enforcement officer indicating that an employee had been arrested and required money for bail or risked being jailed;

In each call or text, the suspect disclosed business owners or managers' names and relayed pertinent information about the business, gaining employees' trust.

Suspects are frequently using encrypted instant messaging services such as WhatsApp and Telegram Messenger to communicate. These modalities are chosen as the suspects believe that communications through these platforms cannot be traced to them, thereby hindering law enforcement efforts.

In some cases, the caller ID displayed the phone number of whom the suspect was impersonating such as Xcel Energy or the Marijuana Enforcement Division, and answered the phone when that number was dialed.

In certain instances, suspects successfully deceived employees into delivering cash, providing prepaid purchase card numbers, or depositing cash into bitcoin ATMs, defrauding businesses of thousands of dollars.

Remain Vigilant to ongoing fraudulent activity:

Verify the call or text's validity with a manager or owner before taking any action.

All suspicious activities should be reported to local law enforcement for investigation.

After reporting to law enforcement, all Regulated Marijuana Businesses and Licensees are obligated to report to the MED any discovered plan or other criminal activity identified in Rule 3-205(B)(3) and Rule 3-920(B).

A prior fraud attempt included the impersonation of a MED Investigator. Aside from requesting a business card and/or law enforcement credentials, verifying a MED Investigator's status as a state employee can be done by using the following search tool created by the Colorado Department of Personnel and Administration: <https://apps.colorado.gov/apps/oit/directory/start.jsf>

Another method of verifying an MED Investigator can be done by contacting an MED Agent in Charge listed here:

<https://www.colorado.gov/pacific/enforcement/med-contact-us>

For incidents specific to fraud attempts and prior to making any further communication with the caller, immediately contact MED Supervisory Criminal Investigator John Cohen with MED at john.cohen@state.co.us or 720-361-7068.