

OFFICIAL STATE CABINET AGENCY RESPONSE TO PERFORMANCE AUDIT ON IMPROVING CANNABIS RISK MANAGEMENT TOOLS USING BUSINESS TRANSACTION DATA – AUGUST 1, 2018

This management response to the State Auditor's Office (SAO) performance audit report received July 9, 2018, is provided by the Office of Financial Management and the Liquor and Cannabis Board.

SAO PERFORMANCE AUDIT OBJECTIVES:

The SAO sought to answer these questions:

1. What data could help identify high-risk cannabis business transactions?
 2. How can LCB use cannabis licensee tracking data to focus its audit and enforcement efforts on high-risk transactions?
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SAO Recommendation 1: LCB should complete its plans to develop reasonable ranges for data at the higher-risk transactions of the cannabis production, processing and retail processes.

STATE RESPONSE: We agree with the opportunity for improvement identified by the SAO. In alignment with the full traceability system realization scheduled for fall 2018, the LCB will complete the development of its data utilization plan and the thresholds therein.

Action Steps and Time Frame

By October 31, 2018:

- Analyze research and information to inform our methodology for range establishment.
 - Review and ensure alignment of thresholds with Washington state policy.
 - Review and confirm information with agency division subject-matter experts.
 - Align final data policies (including reasonable ranges) with traceability system functionality and confirm with IT and product vendor.
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SAO Recommendation 2: LCB should complete its plans to establish automatic notifications in its new tracking system that will alert staff when data at those higher-risk transactions fall outside established ranges, indicating potential data entry errors or product diversion.

STATE RESPONSE: We agree with the opportunity for improvement identified by the SAO and believe that it aligns with the agency's plans for the highest and best use of the system configuration. To that end, the traceability system in progress has alert capabilities. Full alert development is part of the IT project implementation plan, and simplified alerts have already been established. A more robust suite of alerts will be developed upon completion of the data utilization plan and analysis of the alerts needed as part of the response to Recommendation 1.

Action Steps and Time Frame

- Contingent upon evaluation of the data needed and plan created in response to Recommendation 1, the LCB will implement automatic notifications in the traceability system. *By December 31, 2018.*
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