

PERFORMANCE AUDIT

Work in progress: Audit description



Office of the
Washington
State Auditor
Pat McCarthy

Evaluating State Oversight of the Cannabis Industry Follow-up

Washington's legal cannabis industry adds nearly a billion dollars each biennium to state coffers. Production and sales of unregulated cannabis means uncollected taxes, products of variable or unsafe quality, and an increased risk that people under 21 will gain access to cannabis illegally.

A 2018 performance audit sought to help Washington's Liquor and Cannabis Board (LCB) develop risk management tools for monitoring the cannabis industry. Among other things, we recommended LCB develop and automate risk management tools that could use existing data to identify potentially illegal transactions. Neither of the two different data systems that track cannabis through the marketplace, which have been in use since the previous audit, included recommended features designed to identify illegally diverted product. The agency reports it has not done so due to problems related to the traceability systems. Neither of the two different data systems in use since the previous audit included recommended features designed to identify illegally diverted product. LCB recently issued a request-for-information to begin procurement for a new traceability system, which the agency has said will include the previously recommended features.

Preliminary scope and objectives

This follow-up audit will review how LCB currently prioritizes its enforcement activities to minimize product diversion, and whether the agency's current approach addresses the risks identified in our previous audit. It will also explore potential barriers LCB has faced in implementing a fully functional risk management approach, and propose solutions to overcome any barriers. The audit seeks to answer the following questions:

1. What methods has the Liquor and Cannabis Board used to ensure it effectively prioritizes its enforcement activities?
2. What, if any, barriers has the agency faced in implementing effective risk management methods to reduce risks identified during the previous audit?

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