



What Is The Real Threat? Theft Vs. Diversion

January 16, 2017 by Rebecca Cicarelli and Matt Gifford

The cannabis industry is arguably in its infancy, especially when we consider growth projections. Consequently, there are limited statistics specific to theft and diversion, but the threat is indeed real. At the end of the day, the market value associated with controlled substances, including cannabis, escalates risk. So what can you do? Industry players can anticipate and implement precautionary measures to mitigate losses by reviewing the details of dispensary and grower incidents. They can also take a lesson from the pharmaceutical industry; well-versed in the threats associated with Schedule I and II narcotics.

Cannabis Dispensary and Grower Theft

Armed robberies, overnight invasions, and thefts gone awry; this is what gets press coverage. Breaking news of masked intruders invading the home of a prominent Oregon grower wrapped up 2016. They severely beat him and loaded hundreds of pounds of harvested marijuana into a U-Haul before driving off into the night. The victim was hospitalized for several days, and the financial loss was significant. Premium outdoor marijuana is worth as much as \$2,100 per pound on the wholesale market.

Thieves robbed another grower in California at gunpoint in August. And startlingly, three growers were killed on the Northern Coast of the state in November. Notably, authorities have arrested and charged two people with the murder of Jeffrey Settler and the theft of 100 pounds of product. Both were employed as trimmers for his facility. Five other suspects are still at large.

Dispensary news was also alarming in 2016, as evidenced by incidents reported in Colorado, California, Oregon, and beyond. In the absence of a banking solution, heavy cash flows continue to appeal to potential intruders. Sadly, armed robbers killed a security guard in Aurora, CO and another guard was seriously wounded in San Bernardino, CA. Two CA-based dispensary owners suffered wounds after engaging in shoot-outs with would-be robbers. Fortunately, most thefts remain concentrated outside of business hours.

An after hour event means less risk for employees and customers. If facilities follow appropriate protocol, the losses can be less significant. “It could have ruined our business if we didn’t follow protocol,” said Mike Boynton from the Central Organics dispensary in Oregon, referring to his facility’s 2015 break-in. Adhering to secure storage requirements—with product in safes and/or vaults overnight—puts up an extra line of defense against theft. A smart business owner treats cash with the same reverence. Furthermore, well-placed video surveillance provides key forensic evidence. In Mr. Boynton’s case, he did all of the right things, and a clear shot of one suspect’s face was a significant help for case resolution.

There is not enough data to determine an absolute trend line for theft in the cannabis industry, but it’s clear that this issue has affected both dispensaries and growers since legalization efforts began. Furthermore, perpetrators are mostly affiliated with the business, or at the very least, familiar with the layout. Pharmaceuticals are not dissimilar in this regard. More often than not, pharma heists are linked to someone on the inside. But should the threat of theft be your biggest concern?

Cannabis Dispensary and Grower Diversion

Thefts are shocking, so media attention is justified. In the meantime, the issue of diversion lies under the radar. Some industry experts estimate that employee theft accounts for 90% of financial and product loss in the industry. Employees pocketing either flower or cash is not uncommon. Fortunately, both dispensaries and growers can tap into commonsense answers from others in the industry and pharmaceuticals in general.

There are two keys to reducing diversion: protocol and protection. Protocol begins with hiring procedures including background checks and extreme vetting. Meticulous standard operating procedure is the next step. This should include tight inventory controls, employee rotation to prevent collusion, diversion response training, and physical/informational access restrictions. From there it must drill down to details like pocket-less uniforms.

A top-notch access control system is absolutely fundamental to facility protection. This provides time-stamped records of employee movement and allows management to make immediate adjustments to access permissions. It ultimately controls who goes where. Strategic, plentiful and well-lit video surveillance with cloud-based storage is also key. It is critical for providing forensic evidence to support access records. Physical man-traps, safe entry portals and wire cages should be considered for their fit with the facility’s needs. Finally, any product or cash not required to meet immediate business requirements should always be stored in validated safes and vaults.

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