
Addressing the risk of robbery at a cannabis dispensary and the processes for evaluating solutions

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The Importance Of A Risk Management Plan For The Risk of A Cannabis Dispensary Robbery

On March 17th, 2022, a cannabis dispensary worker in Covington, Washington, shot and killed an alleged robber. On March 19th, 2022, a cannabis dispensary worker in Tacoma, Washington, was shot and killed during a dispensary robbery. These are just two incidents in a rash of robberies in the state of Washington since the beginning of 2022. I am not singling out the state of Washington but rather underscoring a dangerous crime pattern that has emerged in the fledgling marijuana dispensary sector; robberies. I continually read about those who advocate for the advancement of banking opportunities through congress and seemingly focus on that as the solution to this terrible problem. We must realize that the passage of some bill or another financial institution agreeing to bank cannabis is out of our control. What is not out of our control is approaching this serious problem from a risk perspective and effectively employing change management to protect innocent employees, the dispensary business, and the public.

This paper will focus on identifying the problem, highlighting the value of a risk-based approach, the change management process, and effective solutions to address the external risk of robbery.

**Are dispensary robberies on the rise in your geographical area?
If so, you should employ a robust risk assessment plan**

The Anatomy of a Robbery

A robbery is defined as taking someone's property by force or fear of force. The goal of the robber is to leave the cannabis business with cash and/or drugs. Here are some of the most common characteristics of a robbery, referred to in the law enforcement world as "modus operandi," or simply "method of operation":

1. wear a disguise to avoid any recognition
2. gain the element of surprise upon entry
3. use a weapon of some sort to engender an element of fear. Predominately small arms
4. control the scene
5. spend as little time as possible inside the premise
6. obtain all the money and likely some of the product (the reason for the robbery)
7. leave the area as quickly as possible. This is referred to as the getaway
8. avoid any detection, including identification of the getaway vehicle if one is used

Some robberies are facilitated from the "inside" through an employee or past employee or someone with intimate knowledge of the workings of the business. I believe that most robberies are from opportunists who have no "inside help" but may have "cased" the business on a previous buying trip.

The importance of a risk-based approach to solving the problem

Different risks should be treated differently, and the controls necessary to mitigate that risk will also differ. The last thing you want to do is discover a problem and try to fix it from a reactionary perspective without applying the discipline of risk management. Leveraging a risk program allows you to get granular in identifying the problem, activities to address the problem, the solution, and the assessment of residual risk. Residual risk is the risk that remains after your control activities are in place. The disruption from a robbery is enormous. The dangers of a robbery are severe, and the loss and potential costs to your business dictate both your attention to the problem and a disciplined approach to this issue.

Steps to consider

The first step in any risk process is identifying the inherent risks. Inherent risk is the risk that is present before any risk management controls are in place. In this case, we are addressing an external risk because the problem comes from outside of our business but affects our business. Because I am using a risk-based approach, I can refine my inherent risk list to those associated with 1) robbery and 2) a cannabis dispensary. Here is my list:

1. Robberies occur in any number of small business settings
2. The number of robberies at dispensaries is rising in “my geographic area.”
3. My business has cash on hand, and that cash is attractive to robbers
4. I have marijuana products on my premises on display, and that is attractive to robbers
5. Currently, there is no armed guard at our dispensary
6. A successful robbery will result in the loss of a lot of cash
7. A successful robbery will result in the loss of a lot of product
8. Our business insurance premiums will rise significantly if we are robbed
9. There is a high likelihood that a robber will use a deadly weapon during the commission of the crime
10. One or more of our employees may be injured or killed because of a robbery
11. Our business will suffer considerable disruption because of a robbery in lost time for sales
12. There is a high likelihood that one or more of our employees will experience emotional distress from a robbery
13. Our business may suffer reputational loss when any number of news sources publishes the robbery
14. We may incur additional medical costs from the event
15. We will be exposed to a potential lawsuit from a customer or employee who experiences the robbery in any way
16. If a robber is injured, captured, or killed during the robbery, we will be exposed to a potential lawsuit from the aggressor
17. Our business will suffer considerable lost time in terms of disruption of business processes and staffing issues
18. Our business will incur considerable legal costs in retaining an attorney to assist us in identifying and addressing any potential legal issues that may arise post-event

Your list will vary for many reasons but consider the benefit of creating this list of inherent risks. Your leadership will benefit by being able to address all of these issues in detail and deciding which inherent risks are important for them to address. If this were an actual risk assignment of mine, I would also rate each of these items on the list with the following rating: **Low** **Medium** **High**

Here is how that might look inline form:

2. The number of robberies at dispensaries is on the rise in “my geographic area.”

Low

Medium

High

12. There is a high likelihood that one or more of our employees will experience emotional distress from a robbery

Low

Medium

High

This additional risk level rating will allow senior leadership to refine their priorities further. You should already see that the risk assessment process has many benefits to the business that a simplified see and react approach will not realize.

Creating a list of inherent risks will have a positive impact on your entire project

Secondly, I will obtain a copy of the facility schematics that show the current security controls in place and the layout of the building. I will use this to create visuals for the control activities that I design as a result of my work. I will be more effective in conveying my ideas regarding recommended control activities and residual risk ratings.

Next, I will create **control activities** to address as many of the inherent risks as I can. A control activity is a process that you implement to directly address the risk itself. Let’s go through a few of them from my created list.

3. My business has cash on hand, and that cash is attractive to robbers

Control activities:

- Replace the safe on the premise with a “B” rated safe

Comments: safes are classified in two ways; construction and performance. The “B” rating here is used to indicate that we should consider a safe that has a “burglary” performance rating. It may not prevent a robbery, but it is a better solution than the low-quality safe we currently have in our office and will thwart the attempts of a burglar

- Remove cash from all registers once the cash level in the drawer hits \$300 and replace the drawer with a drawer containing a lower balance of \$100. Count and place that cash in the safe. Always ensure the safe door is closed and locked except to move currency in or out

12. There is a high likelihood that one or more of our employees will experience emotional distress from a robbery

- Research your local area and find crisis counselors that can assist you in the robbery aftermath. Keep that list in an incident action folder
- Create a companywide communication that stresses the importance of mental health and shows support to your most valuable asset, your employees

Now I am going to take this information and create a document that can more readily display my inherent risk, control activities, and training recommendations. My real-world document would also include a column for “Assurance.”

<u>Inherent risk</u> *Cash on hand	<u>Control Activity</u> *Design a drawer replacement system when cash levels exceed \$300	<u>Training</u> *Develop a training doc for all managers and any employee that works the register
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Change management

Change management is defined as a systematic approach to supporting employees and teams as an organization transitions to new processes or initiatives. In this case, our subject cannabis dispensary had no plan in place to minimize the total cash in a cash drawer. The current operational plan was to take the drawer at the end of the workday, count the cash, and lock it up in the safe. We have experienced an external risk (robberies in our geographic area) and have wisely decided to assess that risk and develop control activities to minimize that risk. We will now change the way we do things through our change management system. Part of that system will be to instruct all relevant stakeholders in the change and purpose for the change. Then develop training materials to teach that change, and update our internal audit process because we want assurance that our modifications are being adhered to and that the newly designed processes are effective.

Have a firm grasp of the intricacies of the change management system

Conclusions

A disciplined approach to newly discovered external risks is necessary. You want to be effective. You want to achieve your business goals and maintain a work environment where all stakeholders see orderly and effective change. These processes will also encourage employees and management that their senior leadership is competent and changing for the betterment of all. There is no substitute for a well-designed security program and continual security training. Please don't fall into the trap of reactionary thinking, where you find a problem and react by fixing it. Going through risk management processes will result in better solutions that will assure your future success.

Many things need to change in the cannabis sector regarding security and safety. In its beginnings, local regulations required a dispensary to cover its windows so that a person walking or driving by could not see inside. This is a terrible requirement for safety and security. In other business sectors, windows and doors must remain free of obstruction for security reasons. The drivers here should not be to achieve some look but to serve a purpose for the greater good of the establishment and its employees. The more significant drivers should be security and safety.

The challenge here for the cannabis business owner is to appreciate the greater good, the safety, and security of the business and all stakeholders/employees. This will entail properly assessing the external threat of robbery through the discipline of risk management. I see businesses that react by hiring an outside guard firm that provides security at the cost of about \$10,000 per month with no other plan in place. For many businesses, this capital expense may not be sustainable long term.

One last suggestion is to devise your plan to change how you do things considering this external risk or any other risk or risk type. Next, reach out to an outside consultant to review your work and suggest changes. Then revise your plan accordingly. Their expertise, coupled with your knowledge of your operations, will yield a better solution that will sustain you long term and cost you less.