



## Washington State Liquor and Cannabis Board

November 2, 2018

Technology Services Board  
Office of the Chief Information Officer  
PO Box 41501  
Olympia, WA 98504-1501

Dear Technology Services Board:

I am following up on the discussion we had at the October 11, 2018, Technology Services Board (TSB) meeting. At that meeting, I provided an update on the state's seed-to-sale marijuana traceability system project. At the end of the discussion, there were some comments made by a citizen that I am writing to address. Specifically, I want to clarify the roles of third-party integrators, the citizen's claim of "repeated breaches of the system," and Liquor and Cannabis Board's (LCB) compliance efforts.

### **Background**

As background, the Leaf system launched February 1, 2018, and at this time is scheduled to be implemented by December 31, 2018. Even though the system is operational, there is still work on the project that needs to be completed. We have revised the schedule based on known defects and have multiple releases scheduled between now and year's end. The current contract with MJ Freeway is for five years with annual reviews and renewals. In our effort to improve vendor management, we negotiated a six month renewal with incentives for early release completion and liquidated damages for missed deadlines.

### **Integrators**

At the meeting, Mr. Jim MacRae stated LCB forced licensees to use third-party integrators because the Leaf system does not provide inventory management. Leaf is a compliance reporting system and is not designed to be used to manage licensees' inventories. The LCB allows third-party commercial integrators to connect with the traceability system through an Application Program Interface (API). Approximately 75 percent of our licensees use third party commercial inventory management and point of sale system software to report their compliance data to LCB through an API integration. They use integrator's software to manage their business. The remaining 25 percent use the free user interface system's to directly report in traceability.

The LCB does not require licensees to have third-party commercial software to integrate with the system. The LCB made the decision at the beginning of the project that the state's interest was in compliance, not inventory management. In fact, a common theme expressed by industry representatives was that it was inappropriate for the state to provide this service when it could be covered by the private sector. The LCB agreed and communicated repeatedly the purpose of the new system was compliance, and the new system would not include inventory management functionality. Licensees, as always, have the ability to decide whether to purchase inventory management software to support their business needs.

### **System Security and Claims of System Failures**

Another claim by Mr. MacRae was the system has had "multiple breaches" and "chronic failures."

First, the Leaf system has never failed. Any crash on the licensee side would be caused by either an issue with their personal computer or with their commercial system. Leaf resides on servers hosted by Amazon Web Services, an industry leader in security and stability.

Second, due to state security policy 143, the agency is limited in what it can disclose about security issues. However, we can say that the online marijuana traceability system was disrupted after a computer vulnerability was exploited on Feb. 3, 2018. The exploitation allowed an intruder unauthorized access to the system, which is maintained on servers managed by our vendor, MJ Freeway. As part of its examination, the Washington State Office of CyberSecurity (OCS) examined the data to determine if it contained personally identifiable information (PII). The OCS review concluded that no PII, such as names or social security numbers in the data provided by the vendor.

**Since the Feb. 3, 2018, incident there have been no breaches of Leaf, although there have been two breach incidents related to certain integrators' commercial software. As part of our digital security program, the LCB will be conducting regular security testing of Leaf, including immediately prior to full implementation.**

The new system will conform to state policies. The former BioTrack THC system did not meet state requirements for data management, security or integrate with Secure Access Washington (SAW). The new system resides behind the SAW firewall and meets or exceeds the state's data and security policy requirements.

**Compliance**

Lastly, there was a claim the LCB is not currently aware of industry activity until Leaf is fully implemented. While it's true we will have additional tools available to us once fully implemented, traceability exists today. Our licensees are required to use the Leaf system whether it's through a third party integrator or directly via the user interface. It's also important to note traceability has always been just one tool to gauge compliance. Our enforcement efforts take a multi-faceted approach. Together with traceability, our enforcement officers use premises checks and review records.

**Conclusion**

Thank you for the opportunity to clarify our work on these important topics. If you have any further questions or concerns, please don't hesitate to contact me at 360-664-1671 or [Pat.Kohler@lcb.wa.gov](mailto:Pat.Kohler@lcb.wa.gov).

Sincerely,



Pat Kohler  
Deputy Director and Executive Sponsor of the Traceability Project

cc: Jane Rushford, Chair, Liquor and Cannabis Board  
Russ Hauge, Board Member, Liquor and Cannabis Board  
Ollie Garrett, Board Member, Liquor and Cannabis Board  
Rick Garza, Director, Liquor and Cannabis Board  
Rich Tomsinski, Office of the Chief Information Officer