



Testimony for Ohio House Government Accountability and Oversight Committee
Testimony by Tony Gallo, Managing Partner of Sapphire Risk Advisory Group LLC
Date – April 11, 2018, at 9:30am
Subject – H.B. No. 495 Bill: Closed-Loop Payment Processing System
Location – 1 Capitol Square, Columbus, OH 43215 - Room 114

Chairman Blessing, Vice-Chair Reineke, Ranking Member Clyde and members of the House Government Accountability and Oversight Committee, thank you for the opportunity to testify on House Bill 495 (HB 495). My name is Tony Gallo, and I am the Managing Partner for Sapphire Risk Advisory Group. For the last 5 years, my firm has designed security programs for all types of marijuana businesses in over 19 states and Canada. Moreover, my company has written the security sections for three successful Ohio medical marijuana applicants.

Our firm also services many other high-risk retail businesses such as jewelry, pawn and the firearms industry when it comes to protecting employees, customers, and assets. I have been in the retail industry for over 30 years and was the Director of Loss Prevention and Audit for a publically traded 1,300 store financial loaning company for 17 years prior to starting my company. I have a Bachelor of Science degree in criminal justice and have spoken at numerous high-risk retail conferences nationwide as well as written several articles dealing with cash management and robbery programs.

As a security professional with over 30 years' of experience, I see very little security value of a closed-loop payment processing system to reduce any of the concerns stated by the sponsors of HB 495. Specifically, a closed loop system would not do anything to prevent the diversion of cash or deter trafficking of other illegal drugs.

During my security career, I have investigated over 2000 armed retail robberies and burglaries and compared to other high-risk businesses, the marijuana industry has one of the lowest robbery rates nationwide. The requirements of physical security, identification verification, building design, storage protection, access control requirements and training of employees on theft awareness is what I attributed to this low robbery rate compared to other high-risk retail businesses.

To that end, I commend the state of Ohio for implementing extremely stringent security requirements. The security protocols as required by the state that already exist in current law will be the most impactful and relevant to preventing the diversion of cash and product.

Since I have been in the marijuana security field, I have never seen a business owner retain more cash than what is needed to run their marijuana location. Just like a pawn shop owner or a payday loan owner the marijuana business owner recognizes that this action would increase the likelihood of robberies, burglaries or internal theft. In fact, as previously stated, the Ohio marijuana program already addresses this concern when they require safes, vaults or other barrier security be installed to reduce these types of incidents.

As a security professional with over 30 years' experience, I see very little security value of a closed-loop payment processing system and believe a closed-loop system will lower the overall legal market volume thus making the net beneficiary of the system the black market in Ohio.

Thank you for your time, and I would be happy to answer any questions from the committee.