

DEPARTMENT OF CONSUMER AFFAIRS

Lengthy Delays and Poor Monitoring Weaken Consumer Protection

REPORT NUMBER 2000-111, NOVEMBER 2000

The Joint Legislative Audit Committee requested that we determine whether the Department of Consumer Affairs (department) is properly overseeing its boards and bureaus and to assess board and bureau regulatory operations. We found that the department has not provided adequate oversight to its boards and bureaus, and as a result, has allowed weaknesses in their regulatory functions to continue.

Audit Highlights . . .

Our review of the Department of Consumer Affairs (department) disclosed that:

- The department has not fulfilled its oversight responsibility over its boards and bureaus, allowing weaknesses in licensing and complaint processing to continue undetected.***
- The department diverted its internal audit resources away from reviews of the licensing and complaint processes of its boards and bureaus, using them instead on lower-risk special projects.***
- Many boards and bureaus do not publicly disclose complaint information even though department policy requires such disclosures.***
- None of the four boards and bureaus we visited is promptly processing all complaints.***

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Finding #1: The department had diverted its internal audit resources away from reviewing the licensing and complaint processes of its boards and bureaus and instead used them on lower risk special projects.

The department's oversight efforts have relied heavily on unverified information reported by the boards and bureaus themselves, such as strategic plans, regulations, annual statistical reports, and any results from the periodic Joint Legislative Sunset Review Committee process. This self-reported information, while useful, should not be the department's exclusive source of assurance that the boards and bureaus are protecting consumers.

We recommended that the department establish a plan to periodically review and evaluate the licensing and enforcement functions of its boards and bureaus. Additionally, we recommended that the department better utilize the resources of its internal audit office to consistently review the boards and bureaus to ensure that they have adequate monitoring systems and established processing goals.

Department Action: Corrective action taken.

The department reported it has hired additional staff for its internal audit office and has established an audit committee to guide the activities of its internal audit office. The department also reported that since January 2001, the internal audit office commenced 4 licensing and enforcement audits, and completed 12 internal control audits and two performance audits of its boards and bureaus. Furthermore, the department

- ☑ *Nineteen of the 35 boards and bureaus we reviewed or surveyed had not established time goals they could use as a way to monitor their effectiveness in responding to complaints.*
 - ☑ *The Bureau for Private Postsecondary and Vocational Education temporarily discontinued investigating some complaints including allegations of serious violations of law.*
 - ☑ *Disciplinary cases requiring legal representation by the Attorney General's Office frequently take more than a year to resolve.*
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stated that its fiscal year 2001–02 audit plan dedicates 50 percent of its audit resources to performing audits at selected boards and bureaus.

Finding #2: Boards and bureaus do not consistently comply with the department's complaint-disclosure policy.

Department policy requires boards and bureaus to publicly disclose complaints that are determined to involve probable violations of licensing laws and regulations, such as warning letters, citations, and license suspensions or revocations. However, 19 of the boards and bureaus we surveyed indicated that they do not publicly disclose complaints that result in warning letters. When boards and bureaus do not disclose complaint information in conformity to the department's policy, consumers are deprived of information they need to make informed decisions.

We recommended that the department ensure that its boards and bureaus are consistent in releasing complaint information to the public.

Department Action: Partial corrective action taken.

The department reported that it is drafting a new complaint disclosure policy, and has held two public hearings at different locations within the State to solicit proposed language for the revised policy. Two more public hearings are scheduled to provide additional public participation. The department has also collected data from the boards regarding the point at which they release complaint information to the public, and has encouraged boards to have a current and accessible disclosure policy.

Finding #3: The Bureau for Private Postsecondary and Vocational Education (BPPVE) has deficiencies in its licensing and complaint processes.

Because the BPPVE provides inadequate guidance to its staff and does not adequately monitor its licensing and complaint processes, it cannot ensure that consumers are well protected from the institutions it regulates. Additionally, the BPPVE temporarily discontinued investigating complaints that it was unable to mediate, and overcharged institutions for license fees.

We recommended that the BPPVE:

- Establish a system to monitor its licensing and complaint processes to ensure they are prompt and effective.
- Develop policies and procedures to guide staff in consistently and effectively carrying out its regulatory activities.
- Ensure that it investigates all consumer complaints, especially those it cannot mediate.
- Continue its efforts to identify and reimburse those institutions that were overcharged for licensing fees.

BPPVE Action: Corrective action taken.

The BPPVE reported it has developed a monitoring system to ensure that its licensing and complaint activities are prompt and effective and developed policies and procedures to guide its licensing and enforcement staff. The BPPVE also reestablished its relationship with the department's division of investigations to handle complaints that it cannot mediate, and is continuing its efforts to identify institutions that were overcharged license fees.

Finding #4: The Dental Board of California (board) does not adequately monitor its licensing and complaint processes, has not established timelines for the prompt resolution of complaints, and has several weaknesses in its internal controls over cash receipts.

We recommended that the board develop a system to monitor its licensing and complaint processes and develop time goals for resolving complaints. We also recommended that the board identify causes of delays in resolving consumer complaints and take action to minimize them. Finally, we recommended that the board strengthen its controls over cash receipts.

Board Action: Corrective action taken.

The board reported it has established time standards for the processing of complaints. It has also developed a manual monitoring system to assess how quickly it processes licenses and complaints. The board is continuing to address the causes of delays in its complaint processing by hiring an additional dental consultant and seven more investigators. Finally, the board stated that it had instituted several control processes to better safeguard cash receipts.

Finding #5: The Bureau of Automotive Repair's (bureau) licensing operation, handled by the department prior to July 2000 when the bureau assumed control, has a flaw in its tracking system that caused some significant delays. Additionally, complaints received for the bureau's auto repair consumer protection program are taking too long to resolve.

We recommended that the bureau develop a system to monitor its licensing activities for promptness and to take actions to improve the time it takes to respond to consumer complaints.

Bureau Action: Corrective action taken.

The bureau reported it has developed a system to monitor all license applications to ensure that they are processed promptly. The bureau also stated that it has developed new computer programs and hired additional staff that will assist it in resolving consumer complaints more rapidly.

Finding #6: The Contractors State License Board (CSLB) has experienced delays in processing consumer complaints as a result of its reengineering efforts.

We recommended that the CSLB continue to monitor the results of its reengineered complaint-handling process to ensure that it responds promptly to consumer complaints and that consumers have adequate access to its services.

CSLB Action: Corrective action taken.

The CSLB stated it would continue to monitor its complaint process to ensure that it promptly responds to consumer complaints and that consumers have adequate access to its services.

Finding #7: Disciplinary cases requiring legal action through the Attorney General's Office (AGO) experience long delays, with some taking up to three years to resolve. However, because neither the AGO nor the boards and bureaus track the causes for delay, we were not able to identify why these cases take so long to resolve.

We recommended that the department, the AGO, and the various boards and bureaus within the department should review the data compiled by the AGO's new management reporting system as a means to identify and resolve delays. If this effort is unsuccessful, the department should recommend to the Legislature an alternative to the current system of AGO representation.

Department Action: Pending.

The AGO is still in the process of implementing its new management time reporting system. It has encountered technical problems in its implementation of the system and now expects the system to be fully operational by June 2002.

