



SUMMARY

A Review of the Professional and Occupational Licensing Division at the Department of Labor, Licensing and Regulation



INTRODUCTION

Members of the General Assembly requested the Legislative Audit Council to conduct an audit of the Department of Labor, Licensing and Regulation (LLR). The requesters were concerned about the operations of the professional and occupational licensing division and the financial status of the boards within the division. Our audit objectives were to determine how LLR:

- Procures and monitors contracts and evaluate the effectiveness of that process.
- Manages the finances of the professional and occupational licensing boards and if they have been managed appropriately.
- Issues licenses and if that process operates efficiently and in compliance with the law.
- Conducts investigations and evaluate the effectiveness of that process.

JULY 2011

BACKGROUND

LLR is an agency in the Governor's cabinet and includes a Division of Labor, the S.C. Fire Academy, the Office of State Fire Marshal, and the professional and occupational licensing division (POL). This division includes 40 separate professional and occupational licensing boards. The purpose of the division, according to state law, is "to protect the public through the regulation of professional and occupational licensees and the administration of boards charged with the regulation of professional and occupational practitioners."

LLR is responsible for the administrative functions of the boards, while the boards' responsibilities include setting the criteria for licensure and disciplining licensees. For FY 09-10, the POL division had more than 330,000 licensees from 40 boards. As of October 1, 2010, there were 172 full-time employees and 39 temporary employees in the division. The division had total revenues for FY 09-10 of over \$11 million and expenditures of over \$22 million.

CONTRACT MANAGEMENT

We reviewed how LLR procures and monitors contracts to evaluate the effectiveness of the process. For the review, we selected two contracts related to updating information technology systems. One contract is for the purchase of a system to replace the current licensing management system and the other is for the purchase of a system that allows access to board meetings through the Internet. For the licensing management system contract with a cost over \$3 million, we found that:

- Unauthorized agency officials signed five change orders which changed the payment schedule, increased the costs and extended the timeline for implementation of the system by a year.
- LLR stopped paying the vendor in October 2010 after paying about \$2 million (70%) of the contract price and not receiving a fully-operational system for any board or program. The Budget and Control Board (B&CB) has requested a refund of all costs or delivery of all services within 30 days.
- LLR and the B&CB should ensure that they include a maintenance fee of almost \$120,000 in the request for a refund of costs.
- The B&CB did obtain a financial analysis of all the vendors responding to the solicitation. Due to the winning vendor's financial situation, this analysis recommended, among other things, that LLR not pay the vendor in advance and monitor closely that payments are a result of work on the project.

For the board meeting system contract with a cost of about \$200,000, we found that LLR is not using the full capability of the system and recorded and archived 21% of all board meetings from November 2008 through February 2011 and is not including all the related information such as agendas and minutes. The vendor also did not meet the timelines specified in the contract, but there were no penalties in the contract for failure to meet the specified timelines.

FOR MORE
INFORMATION

Our full report,
including comments from
relevant agencies, is
published on the Internet.
Copies can also be obtained by
contacting our office.

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FINANCES

We assessed the POL division's management of revenue generated mainly from issuing licenses. In FY 09-10, we found that the division had over \$43 million in revenues, expenditures of over \$9 million, and transfers of about \$13 million. The boards are required to transfer an amount equal to 10% of their expenditures to the state general fund and, for FY 09-10, transferred about \$1.3 million.

We found that board administrators do not approve monthly the expenditures that are charged to their boards and therefore the boards cannot determine if the charges are appropriate. We also found that \$9.8 million was transferred to the state general fund from board revenues by provisos in the FY 09-10 appropriations act. In FY 09-10, the collective year-end balance for all the boards was about \$20 million so the boards should review their fee structures as required by state law to determine if the licensing fees should be adjusted.

LICENSING

We reviewed the operations of the Office of Licensure and Compliance (OLC) to evaluate the process of issuing licenses. OLC was created in 2008 by transferring employees from the boards and hiring additional staff. LLR did not communicate adequately the creation of the OLC to staff or board members which caused low morale and confusion about board and LLR responsibilities.

We found that, for the five boards we reviewed from before and after the creation of OLC, the average number of days to process initial applications decreased, but the number of pending applications increased. We also reviewed the same five boards to determine whether the boards were verifying that licensees were earning the required continuing education and found that two had documentation of verification, one did not have documentation, and two boards had not verified continuing education in several years.

LLR also had a contact center to answer licensee and consumer questions. We found that, from April 2010 through March 2011:

- 27% of the over 200,000 calls were not answered.
- Staff spent an average of 36% of their time on calls or after call work when 70% is a reasonable expectation.
- The percentage of calls answered for each board decreased.

In April 2011, LLR was reorganized and the OLC and the contact center were eliminated and their responsibilities returned to the boards.

INVESTIGATIONS

We examined the effectiveness of LLR investigations. The Office of Investigations and Enforcement (OIE) is responsible for investigating complaints involving possible violations of licensing practice acts. We found that OIE closed about 4,000 cases in FY 08-09 and in FY 09-10, but 60% of them were dismissed or had no action taken. Thirty percent of the cases had minimal actions such as fines and reprimands while ten percent had severe actions such as license revocations and cease and desist orders. We also found conflicting data kept by OIE such as the total number of cases closed. OIE should follow its formal policy of updating the database after each step which would allow OIE and the boards to follow the progress of cases more accurately.