

EXECUTIVE DIGEST

ENFORCEMENT DIVISION, OFFICE OF COMMERCIAL SERVICES

INTRODUCTION

This report contains the results of our performance audit of the Enforcement Division, Office of Commercial Services (OCS), Department of Commerce, for the period October 1, 1991 through July 31, 1994.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

BACKGROUND

The OCS Enforcement Division was transferred to the Department of Commerce on September 1, 1991 by Executive Order No. 1991-9. OCS is responsible for licensing and regulating 29 occupations and programs, 25 of which have statutory boards appointed by the Governor with the advice and consent of the Senate. The primary responsibilities of the division are to protect the consumer and assist the professions, trades, and occupations in rendering better service.

The division investigates complaints and potential violations by various professions, trades, and occupations licensed or regulated by OCS. The division also performs inspections of various licensees, mediates complaints, and performs audits of trust and escrow funds for various licensees, occupations, and programs.

As of June 27, 1994, there were 305,054 licensees/registrants subject to regulation requirements. During fiscal year 1992-93, the division received 2,198 new complaints alleging violation of the law and resolved 3,064 complaints. The division expended \$2.5 million for fiscal year 1992-93 and had 51 employees as of July 31, 1994.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of the division's investigation process.

Conclusion: The division's investigation process was generally effective. However, our assessment disclosed that the division needed to develop expected program results to facilitate evaluation of the effectiveness and efficiency of its programs' operations (Finding 1).

Noteworthy Accomplishments: The division substantially reduced the backlog of investigations since our last audit. The division accomplished this by more carefully screening complaints for investigation, by increasing the monitoring of investigations, and by using mediation to resolve complaints.

The division established a mediation unit in October 1991. Mediation brings the parties involved in a complaint together to reach a resolution that will settle the dispute more timely

and satisfy the needs of both parties so that an investigation by the division is not needed. Mediation was successful in resolving 1,395 complaints through July 31, 1994. In addition, the division instituted a referral system for complaints over which it did not have jurisdiction, resulting in an additional 71 disputes being resolved.

Audit Objective: To assess the effectiveness of the division in providing for proper, accurate, and timely completion of investigations, inspections, and audits.

Conclusion: The division was generally effective in providing for proper, accurate, and timely completion of investigations, inspections, and audits. However, our review disclosed that the division had not pursued amendatory legislation to reduce the frequency of inspections or performed annual inspections (Finding 2). Also, amendatory legislation is needed to make the requirements for review of prepaid funeral contractor escrow funds by CPA's consistent with professional standards for CPA's (Finding 3). Further, the division did not document that new carnival-amusement rides and ski lifts complied with requirements in administrative rules and division procedures (Finding 4).

Noteworthy Accomplishments: The division has established a priority system to determine when entities need to be audited and has increased reliance on audits performed by public accounting firms. This has allowed the division to perform more audits of entities that have complaints filed against them.

AUDIT SCOPE
AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Enforcement Division for the period October 1, 1991 through July 31, 1994. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit methodology included collecting background information about the enforcement function and reviewing the division's organizational structure and applicable statutes, policies, and procedures. Also, we examined records, observed activities, and conducted interviews with agency personnel to document an understanding of and assess the effectiveness of the internal control structure.

We tested the internal control structure. In addition, we selected a random sample of open and closed investigation files with activity during our audit period. We reviewed the processing of the sample for propriety, accuracy, and timeliness. We also reviewed investigations for appropriate jurisdiction, establishment of priority, and use of mediation. We assessed the effectiveness of the division's investigation process.

AGENCY
RESPONSES
AND PRIOR AUDIT
FOLLOW-UP

Our report includes 4 findings and recommendations. The agency preliminary response indicated concurrence with all of the recommendations.

The division complied with all 16 of the prior audit recommendations included in our current scope of audit.