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OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

January 15, 2015

The Honorable Judy Burges, Chair
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed an initial followup of the Registrar of Contractors regarding the implementation status of the 38 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in July 2013 (Auditor General Report No. 13-04). As the attached grid indicates:

- 12 have been implemented;
- 1 has been partially implemented;
- 13 are in the process of being implemented;
- 7 are not yet applicable;
- 2 are no longer applicable; and
- 3 have not been implemented.

Our Office will conduct a 24-month followup with the Registrar of Contractors on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

cc: William A. Mundell, Director
Registrar of Contractors

Registrar of Contractors

Auditor General Report No. 13-04

Initial Follow-Up Report

Recommendation	Status/Additional Explanation
Finding 1: ROC should consistently ensure that complaints are adequately resolved	
<p>1.1 The ROC should develop and implement policies and procedures to better ensure that complaints are adequately addressed prior to closing them. These policies and procedures should:</p> <ul style="list-style-type: none"> a. Specify under what circumstances complaints should be closed based on written documentation from the contractor or complainant and/or verbal statements by the complainant indicating that corrective action had been taken; b. Specify under what circumstances complaints should not be closed until ROC inspectors conduct follow-up inspections to verify that work has been properly completed; and c. Specify the steps the ROC will take if corrective action was not properly completed. 	<p>Implemented at 18 months</p> <p>Implemented at 18 months</p> <p>Implemented at 18 months</p>
<p>1.2 The ROC should develop and implement policies and procedures to guide its use of consent agreements to discipline licensed contractors when appropriate. These policies and procedures should:</p> <ul style="list-style-type: none"> a. Consider not only the nature of the violation and/or the repeat nature of the violation, but also mitigating and aggravating factors, such as whether the licensed contractor addressed workmanship problems in a timely manner; and b. Specify that if licensed contractors who have substantiated violations decide not to enter into a consent agreement, the ROC should proceed with its complaint-handling process by referring these cases to OAH. 	<p>Implementation in process The ROC has developed a policy for determining discipline, including how it will consider mitigating and aggravating factors to escalate discipline. Auditors will review the new policy's continued implementation at the 24-month followup.</p> <p>Implemented at 18 months</p>
<p>1.3 The ROC should develop and implement policies and procedures for escalating discipline for contractors with prior complaints that resulted in substantiated violations, to ensure that licensees with multiple substantiated complaints or a history of substantiated complaints receive appropriate discipline.</p>	<p>Implementation in process The ROC has developed a policy for determining discipline, including how it will consider mitigating and aggravating factors to escalate discipline. Auditors will review the new policy's continued implementation at the 24-month followup.</p>
<p>1.4 The ROC should develop and implement guidelines for determining whether complaints received fall within the statutory 2-year time limit for ROC jurisdiction.</p>	<p>Implemented at 18 months</p>

Finding 2: ROC should streamline complaint-resolution process

2.1 The ROC should expedite complaint resolution by encouraging contractors to address concerns more quickly. Specifically, the ROC should:

- a. Request a statutory change that would allow it to charge fees to cover the costs of processing the complaint if poor workmanship is not repaired prior to issuing a citation;
- b. Develop and implement a mechanism to identify and track costs associated with processing specific complaints if statute is changed to give the ROC permission to charge these costs to contractors; and
- c. Charge licensed contractors who are found to have committed a violation the costs for processing valid complaints if statute is changed to give the ROC permission to do so.

Implemented at 18 months

According to the ROC, it has informally approached some legislators about sponsoring this legislation, but has not been successful in finding support for the change. According to the ROC, it is no longer seeking this statutory change, but may seek it in the future.

No longer applicable

See explanation for 2.1a.

No longer applicable

See explanation for 2.1a.

2.2 The ROC should use complaint-management reports from its data system, develop and implement new reports, or develop and implement other mechanisms, as appropriate, to track and monitor open complaints.

Implemented at 18 months

2.3 The ROC should develop and implement time frames for completing the key steps in its complaint-handling process. The time frames that the ROC should develop and implement include, but should not be limited to:

- a. Time frames for issuing citations; and
- b. Time frames for issuing suspension or revocation orders in cases where contractors do not respond to citations.

Implementation in process

The ROC developed a policy that lists time frames for completing many steps in the complaint process, including time frames for issuing citations. Auditors will review this policy's continued implementation at the 24-month followup.

Implementation in process

See explanation for 2.3a.

2.4 The ROC should modify its complaint-handling process to help ensure complaints are resolved within the time frame it establishes.

Implemented at 18 months

Recommendation

Status/Additional Explanation

2.5 The ROC should develop and implement policies and procedures to ensure that licensee discipline is entered into its data system in a timely manner.

Implementation in process

The ROC developed a policy in April 2014 that lists time frames for completing many steps in the complaint process, including time frames for entering data into its system in a timely manner. Auditors will review this policy's continued implementation at the 24-month followup.

Finding 3: Problems with data system hamper ROC's ability to perform core functions

3.1 Regardless of whether the ROC decides to correct or replace ROCIMS, it should:

a. Continue with its efforts to fix the incorrect data in ROCIMS;

Implementation in process

The ROC reported that it has hired a vendor to build a data warehouse to store its data. As of May 2014, the ROC was fixing its data prior to moving it into the warehouse. Auditors will review this process' completion at the 24-month followup.

b. Provide training on data correction efforts and allocate time for its staff to identify and update all records that are incorrect;

Implementation in process

The ROC has allocated time for cleaning data in its Data Warehouse Project Management Plan, and according to the ROC, as of June 2014, the ROC had performed some data cleanup work in the data warehouse. According to the ROC, the staff involved in the data correction effort explained in 3.1a received training, but the ROC did not provide documentation that staff had received this training. Auditors will review continued implementation of this recommendation at the 24-month followup.

c. Test to ensure that the data has been corrected; and

Not implemented

The ROC has developed a test case plan to ensure that data is correctly transferred to the Data Warehouse. However, it has not conducted testing to ensure that the incorrect data in ROCIMS was corrected.

d. Develop and implement practices to ensure that the data remains accurate and complete.

Implementation in process

The ROC's Data Warehouse Project Management Plan includes steps such as data validation testing to help ensure that the data is transferred accurately from ROCIMS to the Data Warehouse. However, the ROC has not conducted testing to ensure that the incorrect data in ROCIMS was corrected. In addition, it has not developed policies or practices for ensuring staff correctly enter data into ROCIMS. Auditors will review continued implementation of this recommendation at the 24-month followup.

Recommendation

Status/Additional Explanation

3.2 To ensure that its business practices are aligned efficiently with ROCIMS or a replacement system, the ROC should:

- a. Analyze and document its applicable business practices;
- b. Where appropriate, redesign its business practices to most efficiently meet its operational requirements and align applicable forms and business procedures with ROCIMS or a replacement system;
- c. Develop and implement policies and procedures to document any revised business practices; and
- d. Communicate the changes to appropriate staff, including providing training where needed.

Implementation in process

The ROC has begun to document its business practices at a high level as part of its project plan for its replacement system. The ROC stated that it plans to do a deeper analysis of its business practices once it selects a vendor to replace its system.

Not yet applicable

See explanation for 3.2a.

Not yet applicable

See explanation for 3.2a.

Not yet applicable

See explanation for 3.2a.

3.3 To better ensure that its staff understand and are able to use and maintain ROCIMS or a replacement system, the ROC should provide its staff with training relevant to their use of and responsibilities for the system by:

- a. Developing a training plan for system users and IT staff that includes who will be trained, what they will be taught, and when training will occur;
- b. Training staff according to the plan;
- c. Training new staff as they begin using the system; and
- d. Providing training to address changes to the system as it occurs.

Implementation in process

The ROC trains new staff on ROCIMS. In addition, the ROC's System Development Methodology procedures require that when the ROC develops a new system, it must also develop a training plan that documents the end-user training strategy and complete this training during the implementation stage. According to the ROC, it will have a training plan to train staff on the new system once the new system has been implemented.

Not yet applicable

See explanation for 3.3.a.

Not yet applicable

See explanation for 3.3.a.

Not yet applicable

See explanation for 3.3.a.

Recommendation

Status/Additional Explanation

3.4 Regardless of whether the ROC decides to correct or replace ROCIMS, to ensure that its system is appropriately managed and maintained, the ROC should:

a. Improve project planning and oversight by developing, implementing, and periodically updating a project management plan;

b. Develop and implement a systematic, accountable, and documented process for testing and applying updates; and

c. Install updates after they have been properly evaluated and tested.

Implemented at 18 months

Not implemented

According to the ROC, it will not install the updates for ROCIMS because past experience has shown that implementing the updates caused more problems than they fixed. Rather, when the ROC develops its new system, it plans to have a detailed process for installing updates for the new system.

Not implemented

See explanation for 3.4b.

3.5 To better ensure the security of information within ROCIMS or a replacement system, the ROC should plan for, incorporate, and use appropriate security controls.

Implementation in process

The ROC modified its use policy for computer and technology resources by incorporating additional security controls, including the requirement to never share passwords and to lock screens when away from the desk. According to the ROC, new staff must read and sign this policy as part of their new staff orientation, and all staff are required to re-sign the policy every year. Auditors will review the continued implementation of the new policy at the 24-month followup.

3.6 If the ROC replaces ROCIMS with a new system, it should follow the formal system development lifecycle methodology that it adopted during the course of the audit.

Not yet applicable

According to the ROC, it has been working with an outside vendor to develop a project plan so that it can submit a project investment justification to the Arizona Department of Administration, Arizona Strategic Enterprise Technology office in order to select a vendor to build a replacement system for ROCIMS. According to the ROC, it plans to follow the formal system development lifecycle methodology as it replaces ROCIMS.

Sunset factor #2 The extent to which the ROC has met its statutory objective and purpose and the efficiency with which it has operated.

1. The ROC should develop and implement policies and procedures to refund fees to applicants whose licenses were issued or denied outside of the ROC's 60-day time frame.

Implementation in process

The ROC is developing a policy to govern refunding fees to applicants whose licenses were issued outside of ROC's 60-day time frame. Auditors will review the new policy's completion and implementation at the 24-month followup.

Recommendation**Status/Additional Explanation**

2. The ROC should work with its Attorney General representative to determine whether it needs to refund fees to applicants from previous years whose licenses were issued or denied outside of the time frame.

Implemented at 18 months

3. The ROC should develop and implement a method for providing additional complaint information to the public, including information about the type of complaint and how the ROC resolved the complaint.

Implementation in process

The ROC held a meeting to determine what complaint information to provide on its Web site and what additional information it may provide. As part of this meeting, the ROC reviewed the types of information available on Web sites in other states with contractor licensing boards and other Arizona state agencies. According to the ROC, it plans to seek public input and present its recommended changes to the Industry Advisory Council, a group of contractor association executive directors and other related stakeholders. In addition, the ROC has modified its Web site so that information about license revocations is not deleted after 2 years but remains on the Web site permanently.

4. The ROC should develop and implement policies and procedures to guide the ROC's call center customer service representatives in providing information to the public.

Partially implemented at 18 months

According to the ROC, it has provided informal guidance to all its staff to help to ensure callers receive accurate and complete information. However, it has not developed this guidance into official policy and procedures and has no plans to do so.

Sunset factor #9 The extent to which changes are necessary in the laws of the ROC to adequately comply with the factors listed in this subsection.

1. The ROC should seek a statutory change that would allow exceptions, such as for situations in which homeowner safety is at risk or the contractor has already gone out of business that will enable it to better protect the public.

Implemented at 18 months

During the 2013 legislative session, statutory changes were proposed to modify this statute and to address this recommendation. However, the Legislature did not approve the suggested changes. According to the ROC, it does not plan to pursue further statutory changes for this recommendation.

2. The ROC should seek a statutory change to modify the statute that limits the Recovery Fund's administrative expenses from 10 percent of the fund balance to 14 percent of the prior year revenues.

Implemented at 18 months

During the 2013 legislative session, the Legislature passed Laws 2013, Ch.187, to modify statute to allow the ROC to use up to 14 percent of the prior fiscal year's deposited funds to the Residential Contractors Recovery Fund for administrative expenses.