

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**THE POTENTIAL BENEFITS OF FURTHER CENTRALIZING
THE FUNCTIONS OF STATE ENTITIES THAT
REGULATE PROFESSIONS APPEAR LIMITED**

**The Potential Benefits of Further Centralizing
the Functions of State Entities That
Regulate Professions Appear Limited**

P-022, May 1991

**Office of the Auditor General
California**



Kurt R. Sjoberg, Auditor General (acting)

State of California
Office of the Auditor General
660 J Street, Suite 300, Sacramento, CA 95814
Telephone : (916) 445-0255

May 17, 1991

P-022

Honorable Robert J. Campbell, Chairman
Members, Joint Legislative Audit Committee
State Capitol, Room 2163
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the degree to which the functions of state entities that regulate professions are already centralized. The report also explains why no need exists to centralize certain functions of 13 of these entities.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg".

KURT R. SJOBERG
Auditor General (acting)

Table of Contents

Summary		S-1
Introduction		1
Chapter	The Potential Benefits of Further Centralizing the Functions of State Entities That Regulate Professions Appear Limited	5
Appendices		
A	Entities in California That Regulate Professions Fiscal Year 1990-91	23
B	Organizations That Perform Functions for 37 Regulatory Entities Affiliated With the Department of Consumer Affairs	25
C	Organizations That Perform Functions for 13 Regulatory Entities Not Affiliated With the Department of Consumer Affairs	27
D	An Overview of the Structures for Regulating Professions in Three Other States	29
Response to the Audit	State and Consumer Services Agency	37
	Office of the Auditor General's Comments on the Response From the State and Consumer Services Agency	39

Summary

Results in Brief The centralization of services or functions, that is, having one large entity perform functions for a number of smaller entities, can result in potential benefits such as decreased costs and increased efficiency in work performance. We reviewed certain functions of the State's 50 entities that regulate professions to identify potential opportunities for centralization. We noted that many of the regulatory entities' functions are either already centralized or are being performed in such a manner that the entities should be realizing the potential benefits of centralization. Specifically, we found the following conditions:

- Four larger, independent regulatory entities perform many of their own functions and, because of their size, should already be able to realize the benefits of centralization;
- The 37 entities in the Department of Consumer Affairs (DCA) and 4 regulatory entities in 4 other departments receive many centralized services from their parent agencies to accomplish many of their functions;
- Four small, independent regulatory entities rely on larger state agencies, such as the Department of General Services, to accomplish certain functions; and

- All of the 13 regulatory entities at which we reviewed functions, including 9 in the DCA, can adequately perform for themselves or obtain from a source other than a larger state agency one or more of the functions concerning license renewal, complaint tracking, and investigations and need not rely on a larger agency to accomplish these functions.

Background Fifty regulatory entities in California regulate various professions. Of these 50 entities, 37 are within the DCA, such as the Board of Dental Examiners, the Certified Shorthand Reporters Board, and the Board of Landscape Architects. The remaining 13 regulatory entities are boards, commissions, departments, sections, or programs within departments and include the State Bar of California, the Board of Chiropractic Examiners, and the Department of Motor Vehicles. To varying degrees, all 50 regulatory entities are generally responsible for protecting consumers from fraudulent or incompetent practitioners. To meet these responsibilities, the regulatory entities may establish qualifications for licensure, administer examinations, review license applications, and, as necessary, initiate disciplinary action. In addition, the regulatory entities must accomplish basic administrative functions such as accounting for funds and administering personnel.

Certain Regulatory Entities Are Large Enough To Realize the Potential Benefits of Centralization At least four regulatory entities are large enough to realize the potential benefits of centralizing functions or services. These benefits include increased efficiency at a lower cost. Regulatory entities in this category include the California Horse Racing Board, the State Bar of California, the Department of Insurance, and the Department of Real Estate. All four of these entities reported that their staff perform all of the following functions: develop and administer exams, collect and deposit license fees, renew licenses, track complaints, and conduct investigations.

**Five State
Departments
Provide
Many
Centralized
Services
to Their
Affiliated
Regulatory
Entities**

Forty-one entities in five state departments that regulate professions all obtain basic and specialized services from their parent agencies. Thirty-seven of the entities are in the DCA, and four of the entities are in the following departments: the Department of Motor Vehicles, the Department of Health Services, the Department of Housing and Community Development, and the Department of Forestry and Fire Protection. The parent agencies of all 41 regulatory entities offer basic, centralized services to their constituent regulatory entities, such as fiscal services and facilities maintenance services. In addition, these 41 entities obtain legal services and exam-related services from their parent agencies. For example, 33 of the 37 regulatory entities in the DCA, or 89 percent, use the DCA's automated license renewal system and 28, or 76 percent, subscribe to the DCA's automated enforcement tracking system.

**Four Small,
Independent
Regulatory
Entities
Use Some
Centralized
Services From
Larger State
Agencies**

Regulatory entities such as the Board of Chiropractic Examiners and the Board of Pilot Commissioners rely on larger agencies to accomplish some of their basic functions, such as accounting and personnel tasks. In addition, some of the four regulatory entities obtain services related to other functions, such as licensing and enforcement, from larger agencies. The state agencies most frequently relied upon by independent regulatory entities are the Department of General Services and the DCA. By using the services of larger state agencies, the independent regulatory entities can reap some of the benefits associated with the centralization of services and functions.

**Certain
Regulatory
Entities Need
Not Rely
on Larger
Agencies
for Certain
Functions**

Thirteen regulatory entities, 9 in the DCA and 4 independent entities, can adequately perform for themselves certain functions and do not have to rely on larger state agencies. These 13 entities can provide these services for themselves because of one or more of the following reasons: the entities have relatively small numbers of licensees and do not require automated license renewal services; the entities have adequate manual complaint tracking systems and do not require automated tracking services; and the entities costs for investigative services are less than if the DCA provided these services to them.

**Agency
Comments**

The State and Consumer Services Agency generally concurs with the conclusions in our report. However, the agency believes that in our comparison of the costs of investigations performed by the Division of Investigation in the Department of Consumer Affairs with the costs of investigations performed by several regulatory entities, we did not completely weigh the benefits of centralizing investigative functions. The agency believes that the division provides better, more cost-effective investigative services than the regulatory entities.

Introduction

Fifty regulatory entities in California regulate various professions and are responsible for protecting consumers from fraudulent or incompetent practitioners. Of these 50 regulatory entities, 37 are within the Department of Consumer Affairs (DCA), such as the Board of Dental Examiners, the Certified Shorthand Reporters Board, and the Board of Landscape Architects.¹ The boards, bureaus, and commissions in the DCA were established to ensure adequate regulation of professions whose activities have a potential effect on the public health, safety, and welfare of the people of California. In fiscal year 1989-90, the combined budgets of the 37 DCA entities totaled \$164,743,000, and the entities regulated more than 1.9 million licensees.

In addition to the 37 regulatory entities in the DCA, 13 other boards, commissions, departments, sections or programs within departments in California also regulate professions. These regulatory entities include the State Bar of California, the Board of Chiropractic Examiners, the Department of Motor Vehicles, and the Laboratory Field Services Unit in the Department of Health Services. We refer to these entities that are not part of the DCA as independent regulatory entities. Like the entities affiliated with the DCA, these regulatory bodies are responsible for protecting consumers from fraudulent and incompetent practitioners. With combined budgets of approximately \$129,843,000, these 13 entities regulated approximately 1.5 million licensees.

¹ Although the Department of Consumer Affairs had 39 regulatory entities as of January 1, 1990, 2 of these entities regulate only business entities and are, therefore, not discussed in this report.

All entities that regulate professions must perform or have performed for them many different functions to meet their regulatory responsibilities. The 37 regulatory entities affiliated with the DCA and the other 13 regulatory entities have varying degrees of authority for regulatory matters concerning their licensees, such as establishing qualifications for licensure and investigating allegations of unprofessional conduct, incompetence, fraudulent action, or unlawful activity. Forty-seven of these entities also have responsibility for instituting disciplinary action against their licensees when warranted, such as suspending or revoking licenses.

Other regulatory functions that these regulatory entities must accomplish include administering exams, reviewing license applications, and collecting fees. Finally, these regulatory entities must also accomplish the basic functions of any organization, such as administering personnel and accounting for funds.

While each of the 37 entities affiliated with the DCA has certain regulatory responsibilities, the Business and Professions Code also confers regulatory responsibilities on the DCA. For example, the code specifies that the DCA is responsible for promoting and protecting consumer interests in the State. The director of the DCA, with the consent of the regulatory entities, also may perform a number of administrative and fiscal functions for the DCA's constituent regulatory entities, such as entering into contracts and receiving and depositing funds for the entities. With the approval of the Department of Finance, the director may also assess charges to the entities for estimated administrative expenses.

**Scope and
Methodology**

The purpose of this audit was to determine if there are opportunities for the functions of state entities that regulate professions to be performed at less cost or more efficiently, or both, by other state entities that provide such services. Because of the large number of regulatory entities in California and because of the many functions that they perform, our review was limited to a sample of these entities and their functions. Consequently, we did not evaluate all opportunities to decrease the cost or improve the efficiency of California's regulatory entities.

To identify state agencies that regulate professions, we reviewed the governor's budget for fiscal year 1990-91 and a report concerning regulatory entities issued in 1989 by the Commission on California State Government Organization and Economy. We also contacted officials at several agencies to distinguish entities that regulate professions from entities that regulate businesses.

We then sent a survey to 55 state entities that appeared to have responsibilities for regulating professions. After analyzing the survey responses, we determined that 50 of the 55 entities regulate professions. We provide a list of these 50 entities and background information concerning them in Appendix A. We use the information obtained from the surveys in the next chapter of this report. The overall results of our survey appear in appendices B and C. We did not audit the responses of the regulatory entities in our survey.

Since 37 regulatory entities, or 76 percent, are in the DCA, we reviewed certain services provided by the DCA to its constituent entities. These services include the DCA's automated license renewal services, its automated enforcement tracking services, and its investigative services.

We reviewed functions at 13 regulatory entities to determine if certain functions that the entities provide for themselves should instead be obtained from larger entities, such as the DCA, that provide centralized services to many entities. In conducting our tests, we compared functions performed by entities with services offered by the DCA, assuming that the services offered by the DCA were representative of the services offered by other departments that provide services to regulatory entities. The functions that we reviewed at the regulatory entities were license renewals, complaint tracking, and investigative services. Of the 13 entities at which we reviewed these functions, 9 are in the DCA and 4 are independent regulatory entities.

In reviewing license renewal systems at regulatory entities, we concentrated our analysis on the volume of license renewals by the entities. In reviewing the regulatory entities' enforcement

tracking systems, we reviewed complaint logs and complaint files for varying periods between July 1989 and September 1990. In reviewing investigative services of regulatory entities, we reviewed investigative budgets, budget change proposals, organizational charts, investigators' time sheets, and investigative reports.

Finally, we obtained and reviewed reports from several other states to determine how their entities that regulate professions accomplish their functions. Information concerning the programs and methods used in other states is presented in Appendix D.

Chapter The Potential Benefits of Further Centralizing the Functions of State Entities That Regulate Professions Appear Limited

Chapter Summary

The centralization of services or functions, that is, having one large entity perform functions for a number of smaller entities, can result in potential benefits such as decreased costs and increased efficiency in work performance. We found, however, that many of the functions of the 50 regulatory entities that we surveyed are either already centralized or are being performed in such a manner that the entities should already be realizing the potential benefits of centralization. For example, we found that there are 4 large, independent regulatory entities that perform many of their own functions and, because of their size, should already be able to realize the benefits of centralization. In addition, the 37 entities in the Department of Consumer Affairs (DCA) and 4 regulatory entities in 4 other departments all rely on centralized services provided by their parent agencies to accomplish many of their functions. Similarly, 4 small, independent regulatory entities rely on large state agencies, such as the Department of General Services, to accomplish certain functions.

We also determined that several regulatory entities in the DCA and the 4 small, independent regulatory entities perform for themselves functions for which other regulatory entities rely on the DCA or other large state agencies. We reviewed three major functions, license renewals, complaint tracking, and investigative services at 13 of these regulatory entities that perform these functions themselves. We found that, for various reasons, these entities can adequately perform these functions for themselves and need not rely on a larger state agency.

**The
Centralization
of Functions
Can Result
in Potential
Benefits**

The centralization of services or functions, that is, having one large entity perform functions for a number of smaller entities, can result in potential benefits such as decreased costs and increased efficiency in work performance. These benefits are generally not available to smaller entities because they may not have the volume of work necessary to achieve economies of scale or the consistent work load that is needed to ensure efficient work performance.

Centralizing functions that a number of individual entities are each performing on a small scale can result in a larger and more consistent volume of work being performed by one entity. The larger entity may realize increases in efficiency and decreases in costs that can be associated with economies of scale. Two examples of the benefits an entity may derive from economies of scale are a more efficient use of equipment and a reduced cost of supplies. In the first case, equipment can be used more efficiently because the cost of equipment is spread over a larger volume of work and, as a result, the cost per unit of work is decreased. In addition, the larger volume of work may justify the cost of more efficient, technically advanced equipment that an entity with only a small volume of work could not afford. In the second case, a larger entity may realize a reduced cost of supplies when it can take advantage of volume discounts that are not available to entities that order smaller quantities of supplies. Also, shipping costs may be less for one large entity than for many smaller entities because supplies could be sent to one central location instead of many different ones.

Another potential benefit of centralization is an increased efficiency in work performance because of a more consistent work load. A small entity may perform certain functions sporadically or only once or twice each year, thereby necessitating that its staff reacquaint themselves with the procedures for performing the function each time it must be performed. Centralizing in one entity functions that occur infrequently at many individual entities could result in a more consistent work load if the central entity received work throughout the year. In performing any task, most individuals usually perform least efficiently when first learning

the task and gradually become more efficient as they become more familiar with the procedures required to perform the task. Consequently, centralization may result in increased efficiency in work performance because staff at the central entity could be more familiar with the procedures used to perform the function than staff who perform the function infrequently at an individual entity.

Despite the potential benefits of centralization outlined above, there may be instances when centralizing a function of a small entity is not cost efficient. For example, it may not be cost efficient for a small entity that manually performs relatively few units of work related to a certain function to have the function performed by a larger, centralized, entity that uses an automated system to perform the function. In such cases, the costs of converting to the automated system may negate any savings that could result from increased efficiency in performing the function.

**Some
Regulatory
Entities Are
Large Enough
To Realize
the Potential
Benefits of
Centralization**

The potential benefits of centralization should already be available to at least four larger state regulatory entities that perform many of their own functions. (For the purposes of our analysis, we considered regulatory entities larger if they regulate more than 10,000 licensees and have more than 50 staff.) These four larger entities are the California Horse Racing Board, the State Bar of California, the Department of Real Estate, and the Department of Insurance. The number of individual licensees, not businesses, these entities regulated in fiscal year 1989-90 ranged from approximately 15,500 in the California Horse Racing Board to approximately 344,900 in the Department of Real Estate. The staff levels in these agencies range from approximately 61 staff at the California Horse Racing Board to approximately 643 staff at the State Bar of California.

Because of the relatively large size of these four regulatory entities, they should be realizing the potential benefits of centralization. For example, according to their survey responses, all four indicated that their staff perform all of their functions

concerning license renewal, complaint tracking and investigation, and accounting, and two indicated that they use their own automated data processing equipment to assist them in their performance of some of these functions. In addition, they all indicated that their own staff develop and administer examinations, review license applications, award initial licenses, and collect and deposit license fees.

The organizational structure of these regulatory entities also indicates that they may be realizing the potential benefits of centralization. For example, the Department of Real Estate has centralized divisions for licensing, fiscal services, and personnel services. Similarly, the State Bar of California has centralized divisions for admissions, client assistance, and printing services. The Department of Insurance has centralized divisions for consumer affairs, enforcement, and licensing. Finally, the California Horse Racing Board has centralized divisions for accounting, personnel, and licensing.

**Parent
Agencies
Provide Many
Centralized
Services
to Their
Constituent
Regulatory
Entities**

In addition to providing certain services for themselves, regulatory entities receive many services from larger, parent agencies with which they are affiliated. Of the 50 regulatory entities surveyed, 41 are constituent regulatory entities. These entities are affiliated with five larger state agencies: the Department of Health Services, the Department of Forestry and Fire Protection, the Department of Motor Vehicles, the Department of Housing and Community Development, and the Department of Consumer Affairs. Through their parent agencies, all of these constituent regulatory entities are offered basic, centralized services, such as fiscal services and facilities maintenance services. In addition, entities also obtain more specialized services from their parent agencies, such as legal services and exam-related services. The Department of Health Services, for instance, prepares renewal licenses and provides accounting services for its Laboratory Field Services Unit, which regulates laboratory technologists. In addition, the department's personnel section approves the unit's personnel action documents and maintains its personnel files.

The Department of Forestry and Fire Protection similarly provides basic administrative services to its Professional Foresters Registration program. For example, the department prepares, approves, and maintains all personnel documents for the registration program. In addition, the department deposits licensing fees on behalf of the program, maintains the program's accounting and property records, and arranges for the program's office space.

The Department of Motor Vehicles provides a number of services to its Bureau of Occupational Licensing and Support, which licenses vehicle-related occupations, such as vehicle salespersons, vehicle verifiers, and driving school and traffic violator school instructors. For example, the department's Division of Administration provides various administrative services to the Bureau of Occupational Licensing and Support, such as maintaining accounting, property, and personnel records, approving personnel action documents, and arranging for office or storage space. In addition, the Division of Administration deposits license fees, and the department's Field Office Division administers driving school and traffic violators' school instructor exams.

The Department of Housing and Community Development provides a variety of services to its Occupational Licensing Program, which licenses manufactured and mobile home related occupations, such as salespersons and dealers. For example, the department maintains accounting, property, and personnel records, approves personnel action documents, and arranges for office or storage space for the Occupational Licensing Program. In addition, the department's Legal Affairs Unit initiates license disciplinary actions based on the Occupational Licensing Program's investigations.

The 37 regulatory entities affiliated with the DCA receive a wide range of services from its three centralized units: the Division of Administration, the Division of Technology, and the Division of Investigation. The basic centralized services that the DCA provides to boards and bureaus include personnel services, fiscal services, data processing, and facilities maintenance services. More specialized services offered by the DCA include the evaluation

of licensing exams, legal services, and the investigation of complaints. The DCA charges each of its 37 constituent entities for the services it provides to them. In the following sections, we more fully discuss the services provided by the DCA through its three divisions.

The Division of Administration

The Division of Administration in the DCA provides administrative support and technical assistance to the department's regulatory entities, including budgeting, accounting, personnel, business, training, photocopying, and central mail services. The division also maintains a central testing unit, through which regulatory entities such as the Animal Health Technician Examining Committee and the Board of Landscape Architects receive services to improve the quality and fairness of their licensing examinations. Such services include validating exam programs, developing test questions and procedures, and applying standardized scoring methods to licensing exams.

The Division of Technology

The Division of Technology in the DCA develops automated information systems for the department and provides support services to regulatory entities for the production of initial licenses, renewal applications, renewal licenses, statistical reports, exam scheduling letters, and exam result letters. The division also maintains the DCA's automated license renewal system and its enforcement tracking system. These automated systems enable regulatory entities that subscribe to them to record and monitor licensee information and to track complaints from receipt to final resolution. Of the 37 regulatory entities in the DCA that regulate professions, 33 entities, or 89 percent, use the DCA's automated license renewal system, and 28 entities, or 76 percent, subscribe to the DCA's automated enforcement tracking system.

The Division of Investigation

The Division of Investigation provides investigative services to 19 of the DCA's 37 affiliated entities that regulate professions. These services include peace officers investigating potential law violations; interviewing complainants, witnesses, and suspects; gathering and preserving evidence; executing search warrants; testifying in court or at administrative hearings; and making arrests when warranted. The division also provides training to the investigative staff of some regulatory entities.

Four Independent Regulatory Entities Use Centralized Services Offered by Larger State Agencies To Perform Some of Their Functions

The potential benefits associated with centralized services are generally not available to smaller, independent entities because of their relatively small volume of work and because they are not part of a larger entity that could perform functions for them. However, smaller independent entities may be able to realize some of the benefits of centralization by obtaining services from larger entities to accomplish some of their functions.

Based on responses to a survey we conducted, we found that four of the smaller, independent regulatory entities obtain services from larger state agencies to accomplish some of their functions. These entities are the Board of Chiropractic Examiners, the California Auctioneer Commission, the Board of Osteopathic Examiners, and the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (Board of Pilot Commissioners). The state agencies they use most often are the Department of General Services and the DCA. However, they also use other state agencies on a more limited basis.

The types of services that these regulatory entities indicated they obtain from larger state agencies are generally related to administrative functions, such as accounting, personnel, and facilities management. For example, the California Auctioneer Commission contracts with various units of the Department of General Services to perform accounting, personnel, and inventory services. However, some of the entities indicated that they also obtain services related to other functions such as licensing and

enforcement. For instance, the Board of Chiropractic Examiners uses the Department of General Services to print its initial licenses as well as to assist in its accounting, personnel, and facilities management functions. In addition, the Board of Chiropractic Examiners uses the DCA's investigative services. The Board of Osteopathic Examiners also uses the DCA's investigative services and uses the Department of General Services to maintain personnel files and property records and to arrange for office space.

**Certain
DCA-Affiliated
Regulatory
Entities
Need Not Rely
on the DCA
To Accomplish
Certain
Functions**

While many regulatory entities affiliated with the DCA use the DCA's centralized services, some entities do not use certain services offered by the DCA. To determine if these entities and the State could realize any benefits from the DCA performing these functions, we identified for examination certain functions that 11 of these entities provide for themselves. These functions included license renewal, complaint tracking, and investigative services. There are other functions besides these three functions that some regulatory entities perform for themselves, and there may be potential benefits from centralizing these functions. However, we believe that if any of the functions were to be centralized, the three functions we reviewed might be the best candidates. We believe these three functions might be the best candidates for centralization because the DCA already provides services to accomplish these functions to most of its constituent regulatory entities.

From the 11 entities that we identified for examination, we determined that 3 regulatory entities do not use the DCA's automated license renewal system because they do not have enough licensees to clearly necessitate using it. The three entities are the Board of Guide Dogs for the Blind, the Athletic Commission, and the Cemetery Board. According to the DCA's project manager for its automated Consumer Affairs System, it would not be cost beneficial for the Board of Guide Dogs for the Blind and the Cemetery Board to subscribe to the system's license renewal component because of the relatively small number of licensees

these two boards regulate. The 33 regulatory entities in the DCA that regulate professions and that use the system's automated license renewal component had, on average, 56,648 licensees during fiscal year 1989-90. During this same period, the Board of Guide Dogs for the Blind had only 51 licensees, the Cemetery Board had only 2,200 licensees, and the Athletic Commission had only 1,300 licensees.

We also identified for review the complaint tracking systems of five entities in the DCA to determine if the regulatory entities have adequate means for tracking complaints from initial receipt through final resolution to help ensure that they promptly resolve consumer complaints. These five entities are the Cemetery Board, the Athletic Commission, the Certified Shorthand Reporters Board, the Board of Registration for Geologists and Geophysicists, and the Board of Examiners of Nursing Home Administrators. We did not review complaint tracking at the Athletic Commission because, according to its executive officer, it does not receive consumer complaints.

The four regulatory entities that we reviewed do not use the DCA's automated complaint and enforcement tracking system, and none receive enough complaints to clearly necessitate use of the DCA's automated system for tracking complaints. While the 28 regulatory entities in the DCA that use the DCA's centralized enforcement tracking system had, on average, 739 complaints during fiscal year 1989-90, the number of complaints received in this year by the 4 entities that we reviewed ranged from 49 complaints at the Board of Registration for Geologists and Geophysicists to 219 complaints at the Board of Examiners of Nursing Home Administrators. (Of the 219 complaints received by the Board of Examiners of Nursing Home Administrators, 215 were citations received from the Department of Health Services. While these citations are not consumer complaints, we included them in our analysis because of their potential effect on the public.)

For the purposes of our review, we considered systems adequate if they included written or printed logs and sufficient accurate information to permit complaint tracking. Therefore, to determine

the adequacy of the systems, we reviewed complaint logs, complaint files, complaint handling procedures, and 23 to 30 complaints received by each of the four entities from July 1989 through September 1990. We reviewed this information to determine whether the entities accurately recorded complaint information and whether the entities' staff could use the tracking system to determine the status of complaints. We found that although problems existed with some aspects of one of the entities' complaint tracking systems, each entity's system generally provided sufficient information for the entity to track its complaints. Overall, we determined that the four entities that we reviewed can adequately track their complaints using the systems reviewed and need not rely on the DCA's automated system.

We also reviewed the costs of investigations conducted by four of the entities in the DCA that do not use its Division of Investigation (division) to perform their investigations. These four entities are the Board of Pharmacy, the Board of Dental Examiners, the Board of Funeral Directors and Embalmers, and the Cemetery Board. These four entities and the division use four different types of personnel to conduct their investigations. Specifically, the Board of Pharmacy uses licensed pharmacists, the Board of Dental Examiners and the division use peace officers, the Board of Funeral Directors and Embalmers uses field representatives, and the Cemetery Board uses an auditor.

The four types of staff who conduct investigations have different requirements concerning investigative training. According to the executive officers of the Cemetery Board and the Board of Funeral Directors and Embalmers, their staff are not required to take investigative training. However, the executive officer of the latter board stated that his staff have taken such training. According to the executive officer of the Board of Pharmacy, the board's staff are required by the board to take in-service investigative training, in addition to completing the 30 hours of continuing education required every two years for licensed pharmacists. The peace officers in the Board of Dental Examiners and the division's peace officers are required by the Commission on Peace Officer Standards and Training to complete a basic specialized investigators

course with at least 220 hours of training. These peace officers must also complete at least 24 hours of continuing professional training every two years. In addition to more extensive training requirements, the peace officers of the division and of the Board of Dental Examiners have the authority to execute search warrants, an authority that can be useful in investigations and that other investigative staff do not have.

In reviewing records and data concerning investigations by the four entities, we focused primarily on issues of cost and did not conduct an in-depth review of qualitative issues concerning investigations. For example, we did not determine if different types of investigations could or should be performed by different types of investigators. We did observe that the division, which uses peace officers exclusively, and the Board of Pharmacy, which does not use peace officers, do investigate some of the same categories of complaints, such as unlicensed activity and professional negligence. In addition, we did not evaluate the quality of investigations performed by the division or the four regulatory entities. We did note, however, that the division and the four entities conduct and complete investigations to respond to complaints and to detect and verify violations of applicable laws.

All four of the regulatory entities had lower nominal costs per hour for investigations in fiscal year 1989-90 than if they had used the division to perform their investigations. Specifically, the hourly investigative costs for these four entities ranged from \$36.77 per hour at the Board of Funeral Directors and Embalmers to \$62.76 per hour at the Board of Pharmacy, compared with \$79.44, which was the hourly rate for the division in fiscal year 1989-90. The hourly investigative costs of the four entities and the division are specified in Table 1.

**Table 1 Investigative Costs In Fiscal Year 1989-90
of Several Entities in the
Department of Consumer Affairs**

	DCA's Division of Investigation	Board of Pharmacy	Board of Funeral Directors and Embalmers	Board of Dental Examiners	Cemetery Board
Investigators	34	12	2	10	1
Cases completed	1,813	604	20	308	3
Investigative hours	51,337	12,415	1,733	14,910	1,776a
Investigative budget	\$4,078,286	\$779,220	\$63,724	\$695,395	\$78,062a
Cost per hour	\$79.44	\$62.76	\$36.77	\$46.64	\$43.95

^aWe could not determine or estimate the number of hours that the Cemetery Board's auditor spent performing investigations or the total costs of the investigations. Consequently, to estimate the board's cost per hour for investigations, we divided the total wages and benefits of the inspector plus a portion of the board's operating expenses by the number of hours available for work in fiscal year 1989-90.

Although centralization would not offer a financial advantage to the four individual entities, we wondered whether centralization might lead to a decrease in hourly costs for the DCA and its constituent entities as a whole. Thus, we also compared the estimated hourly costs incurred by three of the four entities in fiscal year 1989-90 with an estimate of the hourly cost the division would have incurred if it had performed the investigations. (We could not include the Cemetery Board in this analysis because it lacked the necessary data.)

To explain how a centralized agency can have potential cost savings by performing a function for a group of smaller entities, we constructed the following illustration. A centralized agency performs 1,000 hours of a certain function each year for a group of smaller entities, and two smaller entities each perform 100 hours of the same function for themselves. Because of the potential benefits of centralization discussed earlier in this report, it is possible that the function could be performed more efficiently and at less cost for the agency as a whole if the centralized agency performed all 1,200 hours of the function.

We based our estimate of the division's costs on the additional investigative staff and the related space, equipment, and supplies that the division would have needed to conduct the extra investigations. In estimating the division's costs, we assumed that its staff would use the same amount of time to complete investigations as the regulatory entities' staff used.

As Table 2 shows, we found that the division's hourly costs would have exceeded the hourly costs for two of the three entities, the Board of Funeral Directors and Embalmers and the Board of Dental Examiners. Only for one entity, the Board of Pharmacy, were the division's costs less than the regulatory entity's investigative costs.

Table 2 Estimated Hourly Costs for Investigations by the Division of Investigation Compared With Costs for Investigations by Three Regulatory Boards

	Board of Funeral Directors and Embalmers	Board of Dental Examiners	Board of Pharmacy
Estimated hourly costs that boards incurred in fiscal year 1989-90	\$36.77	\$46.64	\$62.76
Estimated hourly costs that the Division of Investigation would have incurred if it had performed the board's investigations	\$39.18	\$54.53	\$46.52

Since the costs per hour of the division performing these investigations were less than the costs per hour of the Board of Pharmacy performing these investigations, we decided to estimate the potential cost savings overall to the other regulatory entities that use the division's services and the overall cost to the board if the division had performed the board's investigations in fiscal year 1989-90. The net figure from estimating the difference between these two amounts would give us the potential cost savings, if any, to the department.

Using data for fiscal year 1989-90, we estimated that if the division performed the Board of Pharmacy's investigations, a combined savings of approximately \$322,000 would result for the division's client entities, and \$105,000 in additional costs would result for the Board of Pharmacy. Thus, the difference between these two amounts, that is, the overall potential savings to the DCA would approximate \$217,000 each year. However, the \$105,000 increase in investigative costs for the Board of Pharmacy would be equivalent to approximately 13 percent of the board's budget in fiscal year 1989-90 for investigative services while the savings to the DCA would be relatively small. Therefore, we are not recommending that any of the three entities subscribe to the division's services at this time.

**Four
Independent
Regulatory
Entities
Need Not Rely
on Larger
Entities
To Accomplish
Certain
Functions**

Earlier in this report, we discussed four independent regulatory entities that use larger state agencies to accomplish some of their functions. Although these regulatory entities use large state agencies to perform some functions, there are other functions that they perform themselves. We conducted reviews of two functions that these entities perform for themselves to determine whether these entities need to rely on larger entities to accomplish these functions. For the purposes of our review, we considered the DCA as representative of larger entities that provide centralized services.

The four entities we reviewed are the Board of Chiropractic Examiners, the California Auctioneer Commission, the Board of Osteopathic Examiners, and the Board of Pilot Commissioners. The two functions that we reviewed, complaint tracking and investigations, are two of the three functions that we reviewed at the regulatory entities that are part of the DCA.

We found that three of these regulatory entities perform their own complaint tracking and maintain manual logs of complaints. We reviewed each entity's complaint tracking system to determine if the entity had adequate means for tracking complaints from initial receipt through final resolution to help ensure that it

promptly resolve consumer complaints. We determined that the fourth regulatory entity, the Board of Pilot Commissioners, received no complaints and, therefore, we did not include it in the analysis.

At three of the entities, the California Auctioneer Commission, the Board of Chiropractic Examiners, and the Board of Osteopathic Examiners, we selected a sample of approximately 30 of the complaints each entity received from approximately January through June 1990. For each of the sample complaints, we compared information in the complaint file with the manual complaint log to determine whether the entities accurately recorded complaint information and whether the entities' staff could use the tracking systems to determine the status of complaints. For the purposes of our review, we considered systems adequate if they included written or printed logs and sufficient accurate information to permit complaint tracking. We found that although some problems existed with aspects of two of these entities' complaint tracking systems, each entity's system generally provided information for the entity to track its complaints. Overall, we determined that the three independent regulatory entities that we reviewed can adequately track complaints using their current systems and need not rely on larger entities to accomplish this function.

Our review of investigations by smaller, independent regulatory entities involved only the California Auctioneer Commission and the Board of Pilot Commissioners since the other two entities, the Board of Chiropractic Examiners and the Board of Osteopathic Examiners, already use the DCA's investigative services. Both entities contract with private investigators to conduct investigations. During the six months from January through June 1990, the Auctioneer Commission paid an average of \$38.26 per hour for its investigations. The Board of Pilot Commissioners paid an average of \$52.46 per hour during the same period. Both of these rates are lower than the DCA's rate of \$79.44 in fiscal year 1989-90 for investigative services. Consequently, we determined that limited economic benefits are to be realized by these entities using the DCA's investigative services.

Conclusion From our review of 50 entities that regulate professions, we found that there appear to be limited opportunities for these entities to further realize the potential benefits of centralization, such as decreased costs and increased efficiency in work performance. For example, at least four large regulatory entities, such as the Department of Insurance and the State Bar of California, already perform many of their functions themselves and are large enough to realize the potential benefits of centralization. In addition, many other regulatory entities, including the 37 entities in the Department of Consumer Affairs that regulate professions, rely on centralized services provided by their parent agencies to accomplish many of their functions. Similarly, several small, independent regulatory entities rely on large state agencies, such as the Department of General Services, to accomplish certain functions. We did identify several regulatory entities in the DCA and several other regulatory entities that perform for themselves functions for which other regulatory entities rely on the DCA or other large state agencies. We reviewed certain functions, such as complaint tracking, at 13 regulatory entities that perform these functions themselves. We found that these entities can adequately perform these functions for themselves and need not rely on a large state agency. These entities can provide these services for themselves because of one or more of the following reasons: the entities have relatively small numbers of licensees and do not require automated license renewal services; the entities have adequate manual complaint tracking systems and do not require automated tracking services; and the entities' costs for investigative services are less than if the DCA provided them.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG
Auditor General (acting)

Date: May 13, 1991

Staff: Steven L. Schutte, Audit Manager
J.J. Billington
Jeanne Wexler
LeeAnn M. Pelham
Paul A. Navarro

Appendix A Entities in California That Regulate Professions Fiscal Year 1990-91

	Number of Individual Licensees	Budget (in Thousands)	Personnel Years
Regulatory Entities Affiliated With the Department of Consumer Affairs			
Board of Accountancy	59,000	\$16,534	47.6
Acupuncture Committee	3,200	\$ 1,018	6.1
Animal Health Technician Examining Committee	3,550	\$ 117	1.4
Board of Architectural Examiners	20,500	\$ 4,039	30.0
Athletic Commission	2,200	\$ 1,122	13.3
Bureau of Automotive Repair	54,000	\$65,164	582.9
State Board of Barber Examiners	25,000	\$ 1,041	12.9
Board of Behavioral Science Examiners	53,000	\$ 2,898	28.7
Cemetery Board	2,500	\$ 347	4.4
Certified Shorthand Reporters Board	8,000	\$ 674	4.7
Bureau of Collection and Investigative Services	198,900	\$ 8,029	76.3
Contractors State License Board	295,000	\$36,210	411.0
Board of Cosmetology	400,000	\$ 4,411	43.6
Committee on Dental Auxiliaries	49,000	\$ 902	8.5
Board of Dental Examiners	38,000	\$ 3,967	43.0
Registered Dispensing Opticians	4,600	\$ 195	1.0
Board of Registration for Professional Engineers and Land Surveyors	140,000	\$ 4,697	46.9
Board of Funeral Directors and Embalmers	4,600	\$ 620	8.2
Board of Registration for Geologists and Geophysicists	6,800	\$ 384	3.9
State Board of Guide Dogs for the Blind	53	\$ 51	0.5
Hearing Aid Dispensers Examining Committee	2,400	\$ 424	3.5
Board of Landscape Architects	3,400	\$ 511	3.5
Medical Board of California	130,000	\$20,676	218.5
Board of Examiners of Nursing Home Administrators	3,300	\$ 420	4.4
Board of Optometry	9,500	\$ 629	5.3
Board of Pharmacy	29,500	\$ 3,375	33.0
Physical Therapy Examining Committee	15,500	\$ 744	4.9
Physician Assistant Examining Committee	16,000	\$ 494	4.0
Board of Podiatric Medicine	3,700	\$ 859	5.2
Board of Psychology	16,000	\$ 1,538	8.1
Board of Registered Nursing	252,000	\$ 9,922	76.4
Respiratory Care Examining Committee	13,500	\$ 899	6.7
Speech Pathology and Audiology Examining Committee	9,100	\$ 306	3.1
Structural Pest Control Board	13,000	\$ 2,815	26.8
Tax Preparers Program	52,000	\$ 973	5.7
Board of Examiners in Veterinary Medicine	14,000	\$ 754	4.6
Board of Vocational Nurse and Psychiatric Technician Examiners	127,000	\$ 4,433	41.7

Continued on Next Page

	Number of Individual Licensees	Budget (in Thousands)	Personnel Years
Regulatory Entities Not Affiliated With the Department of Consumer Affairs			
California Auctioneer Commission	1,260	\$ 274	2.0
Board of Chiropractic Examiners	10,400	\$ 1,261	6.6
Department of Insurance	327,565	\$ 8,326 ^a	115.9 ^a
Department of Motor Vehicles	89,693	\$13,611 ^b	234.9 ^b
Department of Real Estate	348,694 ^c	\$26,858	382.6
Department of Health Services/ Laboratory Field Services Unit	24,724 ^d	\$ 3,045 ^b	37.1
Department of Forestry and Fire Protection/ Board of Forestry, Professional Foresters Registration	1,595	\$ 157	1.6
California Horse Racing Board	12,939	\$ 8,493	66.0
Board of Osteopathic Examiners	2,100	\$ 413	3.1
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun	56	\$ 1,134	1.5
State Bar of California	106,925	\$59,440 ^e	762.9 ^e
Commission on Teacher Credentialing	600,000	\$12,565	111.3
Department of Housing and Community Development/Occupational Licensing Program	491 ^f	\$ 1,926 ^b	37.5 ^b

^aThis amount is for the regulation of insurance producers only.

^bThis amount is the licensing program budget only.

^cThis is the number of licensees as of January 1991.

^dThis is the number of licensees for calendar year 1991.

^eThis amount is for calendar year 1990.

^fThis is the number of licensees through March 1991. In fiscal year 1989-90, there were 831 licensees.

Appendix B Organizations That Perform Functions for 37 Regulatory Entities Affiliated With the Department of Consumer Affairs

The information presented on the next page summarizes the responses we received from a survey we sent to 37 entities in the Department of Consumer Affairs (DCA). The information, which is unaudited, concerns what functions regulatory entities must accomplish and who performs the functions. Regulatory entities include boards, bureaus, and examining committees. The numbers specified for each function under each column denote the total number of responses for that column. For example, for the function “Develop qualifications,” the number “2” under the column heading “National Professional Organizations” means that two regulatory entities responded to our survey that National Professional Organizations develop the qualifications applicable to their licensees. Since the functions of regulatory entities may be performed by one or more organizations, the sum of the numbers specified for each function may total more than 37.

Since a majority of the regulatory entities that we surveyed are boards, we use the term “board” to denote functions performed by the regulatory entities themselves. “Board Members” include the appointed members of regulatory boards, and “Board Staff” include the civil service employees of the boards. “Other Agencies” include state agencies other than the regulatory entities and the DCA. “Outside Contractors” include private organizations that perform functions for a fee. “National Professional Organizations” include organizations such as the National Council of State Boards of Nursing, which develops and scores exams for the Board of Vocational Nurse and Psychiatric Technician Examiners. “Other Organizations” include organizations other than those already identified, such as the Legislature.

**Organizations That Perform Functions for 37 Regulatory Entities
Affiliated With the Department of Consumer Affairs**

Function	Function Not Relevant to Entity	Function Performed by						
		Board Members	Board Staff	Department of Consumer Affairs	Other Agencies	Outside Contractors	National Professional Organizations	Other Organizations
Develop qualifications	0	33	18	4	2	0	2	8
Develop exams	1	20	23	9	0	18	11	9
Administer exams	1	8	28	1	0	5	5	3
Score exams	1	7	18	9	3	10	8	6
Mail license applications	0	1	36	3	0	0	0	0
Review applications	0	4	37	1	0	0	0	1
Award initial licenses	0	7	33	1	0	0	0	1
Prepare initial licenses	0	0	32	18	0	1	0	0
Mail licenses to licensees	0	0	36	7	0	0	0	0
Renew licenses	0	0	31	27	0	0	0	0
Prepare renewal licenses	0	0	18	33	0	0	0	0
Mail renewal licenses	0	0	24	25	0	0	0	0
Collect license fees	0	0	35	27	1	0	0	1
Deposit license fees	0	1	13	34	1	0	0	1
Monitor continuing education	18	4	17	2	0	1	0	0
Log complaints	0	0	37	0	0	0	0	0
Investigate complaints	0	0	30	19	1	1	0	2
Determine validity of complaints	0	0	37	1	1	1	0	2
Initiate disciplinary actions	0	4	35	1	5	0	0	2
Suspend or revoke licenses	0	28	10	3	4	1	0	1
Maintain accounting records	1	0	29	35	0	0	0	0
Prepare agency personnel action documents	0	0	36	21	0	0	0	0
Approve agency personnel action documents	0	0	26	36	3	0	0	0
Maintain personnel files	0	0	31	35	0	0	0	0
Arrange for offices and storage	0	1	34	30	0	0	0	0
Maintain property records	0	0	36	32	3	0	0	0

Appendix C Organizations That Perform Functions for 13 Regulatory Entities Not Affiliated With the Department of Consumer Affairs

The information presented on the next page summarizes the responses we received from a survey we sent to 13 entities that are not affiliated with the Department of Consumer Affairs (DCA). The information, which is unaudited, concerns what functions regulatory entities must accomplish and who performs the functions. Regulatory entities include boards, commissions, departments, and sections or programs within departments. The numbers specified for each function under each column denote the total number of responses for that column. For example, for the function “Develop qualifications,” the number “2” under the column heading “National Professional Organizations,” means that two regulatory entities responded to our survey that National Professional Organizations develop the qualifications applicable to their licensees. Since the functions of regulatory entities may be performed by one or more organizations, the sum of the numbers specified for each function may total more than 13.

Since a majority of the regulatory entities that we surveyed are boards, we use the term “board” to denote functions performed by the regulatory entities themselves. “Board Members” include the appointed members of regulatory boards, and “Board Staff” include the civil service employees of the boards. “Other Agencies” include state agencies other than the regulatory entities and the DCA. “Outside Contractors” include private organizations that perform functions for a fee. “National Professional Organizations” include organizations such as the National Board of Chiropractic Examiners, which develops and scores exams for the Board of Chiropractic Examiners. “Other Organizations” include organizations other than those already identified, such as the Legislature.

**Organizations That Perform Functions for 13 Regulatory Entities
Not Affiliated With the Department of Consumer Affairs**

Function	Function Performed by									
	Function Not Relevant to Entity	Board Members	Board Staff	Department of Consumer Affairs	Other Agencies	Outside Contractors	National Professional Organizations	Other Organizations		
Develop qualifications	0	7	7	0	0	0	2	6		
Develop exams	0	4	11	0	0	1	2	0		
Administer exams	0	3	10	0	1	2	1	0		
Score exams	0	2	9	0	1	5	1	0		
Mail license applications	0	0	13	0	0	0	0	0		
Review applications	0	2	13	0	0	0	0	0		
Award initial licenses	0	3	11	0	1	0	0	1		
Prepare initial licenses	0	0	13	0	2	3	0	0		
Mail licenses to licensees	0	0	13	0	0	0	0	1		
Renew licenses	0	1	13	1	1	0	0	0		
Prepare renewal licenses	0	0	13	0	2	0	0	0		
Mail renewal licenses	0	1	12	1	0	0	0	0		
Collect license fees	1	0	12	1	1	0	0	0		
Deposit license fees	1	0	10	0	2	0	0	0		
Monitor continuing education	5	2	7	1	1	0	0	1		
Log complaints	0	0	13	0	0	0	0	0		
Investigate complaints	0	1	11	2	2	3	0	0		
Determine validity of complaints	0	3	12	1	0	0	0	2		
Initiate disciplinary actions	0	4	11	0	0	0	0	0		
Suspend or revoke licenses	0	6	8	0	1	0	0	1		
Maintain accounting records	0	0	12	1	3	0	0	1		
Prepare agency personnel action documents	0	0	13	1	2	0	0	1		
Approve agency personnel action documents	0	1	10	1	4	0	0	1		
Maintain personnel files	0	0	11	0	6	0	0	1		
Arrange for offices and storage	1	0	11	0	2	0	0	1		
Maintain property records	1	0	11	1	4	0	0	1		

Appendix D An Overview of the Structures for Regulating Professions in Three Other States

According to a report by the Council of State Governments, the organizational structures that other states use to regulate professions vary in their degree of centralization along a continuum ranging from totally decentralized to totally centralized. California's structure is in the middle of this continuum. Some states have less centralized structures in which regulatory boards perform all or almost all of their functions themselves and have little or no connection to a larger central agency.² Conversely, some states have more centralized structures in which one central agency has regulatory authority over most of the state's professions. In this highly centralized structure, boards usually serve only in advisory capacities. Although they may perform some of the functions related to regulating professions, the central agency has the power to determine which functions the boards and committees will perform and which functions the central agency will perform on a centralized basis.

If the central agency in a state with a highly centralized regulatory structure is a large entity, it would have the same opportunity to realize potential benefits of centralization as the large entities discussed in our report. Therefore, we contacted three states that have highly centralized organizational structures to determine whether their central agencies are large entities and, for the states with a large central entity, we identified which functions the central agency performs and which functions are

²The term "boards" as used in this appendix comprises boards, committees, councils, and commissions.

delegated to the boards. We identified the functions the central agency chose to centralize because we believe this identification could indicate how the state sought to maximize the benefits of centralization. In addition, we determined whether the professions licensed by each state's central agency are the same professions licensed by the regulatory entities in California. The table on pages 35-36 presents a comparison of the professions licensed in each state.

Each of the states we contacted, Illinois, New York, and Florida, have large central regulatory agencies. For example, Illinois' central agency, the Department of Professional Regulation, had a staff of approximately 400 employees in 1989 and regulated more than 30 professions with approximately 600,000 licensees. New York's central agency, the Office of the Professions within the State Education Department, had a staff of approximately 350 employees in fiscal year 1988-89 and regulated 31 professions with more than 550,000 licensees. Finally, Florida's central agency, the Department of Professional Regulation, had a staff of approximately 800 employees in fiscal year 1989-90 and regulated 44 professions with 1.2 million licensees.

The central regulatory agency in Illinois, the Department of Professional Regulation (department), is mandated to administer and enforce the statutes that regulate the conduct of more than 30 professions and occupations. Most of the department's activities are performed by its two main divisions, the Division of Statewide Enforcement and the Division of Licensing and Testing. The Division of Statewide Enforcement receives and screens complaints, prioritizes and conducts investigations, and refers criminal violations to the State Attorney's Office for prosecution. The Division of Licensing and Testing processes applications for licensure, oversees the examination process, and maintains licensee records.

Twenty-eight boards act in an advisory capacity to assist the department in the administration and enforcement of the various licensing laws and regulations. The members of 23 of these boards are appointed by the director of the department, and the governor appoints the members of the remaining five boards.

Board members are involved in setting standards, reviewing applicants' files for licensure, evaluating schools' curricula, conducting candidate interviews, reviewing and proposing rules and regulations, and recommending disciplinary actions to the department.

In New York, the State Education Department is the central agency that is responsible for regulating many of the State's licensed professions. The Office of the Professions within the State Education Department is responsible for implementing the department's policies for professional regulation. Four units within the Office of the Professions perform almost all of the regulatory functions for the professions licensed under the Office of the Professions.

The Division of Professional Licensing Services issues original licenses and renewal licenses, administers examinations, maintains licensee records, and evaluates the credentials of applicants with foreign or nontraditional education. In addition, this unit, in cooperation with the executive secretaries of relevant boards, evaluates licensure applications to determine eligibility for examination and licensure.

The Professional Education unit is responsible for evaluating existing and proposed programs of professional education. This unit performs reviews of educational programs in collaboration with the 12 executive secretaries to the 20 state boards. The Professional Education unit is also responsible for the development and assessment of professional examinations.

The Office of Professional Discipline is responsible for maintaining standards of practice in the professions that the Office of the Professions licenses. This unit investigates questions of moral fitness of applicants for licensure and cases of illegal practice. In addition, this unit inspects registered pharmacies and drug manufacturers, evaluates the results of investigations and directs the appropriate action to be taken, and monitors penalties imposed by the Board of Regents.

The Office of Professional Practice is responsible for issues concerning professional practice, including policy studies, maintenance of competence, scope of practice conflicts, and practice surveys. This unit also administers a professional assistance program that allows licensees with substance abuse problems to confidentially surrender their licenses while entering a treatment program for their problem.

Twenty professional boards act solely in an advisory capacity to the State Education Department on matters of education, licensure, and discipline. The boards do not make policy or final disciplinary decisions; however, they do conduct disciplinary hearings. Boards also select or prepare examinations and may administer examinations.

Board members are appointed by the Board of Regents and a certain minimum number of the members of each board must be licensed professionals who are residents of, and have professional experience in, New York State. Boards must also include one or more public members who are not connected to the professions except as consumers. Each board is administered by an executive secretary who is appointed and employed by the Board of Regents.

In Florida, the central agency that has regulatory authority over 44 professions with 1.2 million licensees is the Department of Professional Regulation (department). The department's six divisions, Examination and Licensure, Regulation, Administration, Professions, Medical Quality Assurance, and Real Estate, perform almost all of the regulatory functions for these professions.

The Division of Administration processes all revenues and disbursements for the department and its boards, handles all payroll processing and accounting records, deposits all revenues, and prepares the legislative budget request and quarterly and annual financial reports. In addition, the Division of Administration performs all personnel, purchasing, and facilities management functions. This division also publishes boards' newsletters to licensees, the department's monthly employee newsletter, and the department's annual report.

The Division of Examinations and Licensure is responsible for developing, administering, and scoring examinations and has oversight responsibility for examinations developed by national boards and contract testing services. In addition, for candidates who fail an examination, this division conducts a post-examination process that includes hand grading answer sheets in response to candidate requests and responding to items challenged by candidates. The division also maintains licensee records, collects license application and license renewal fees, and produces and mails licenses to licensees.

The Division of Regulation determines if a complaint is legally sufficient for the division to take action; performs investigations of complaints, controlled substance diversion, and unlicensed activity; and inspects licensed facilities. In addition, the Division of Regulation has the authority to fine unlicensed practitioners and prosecute cases of illegal activity.

All of the 24 health-related professions that the department licenses are regulated under the Division of Medical Quality Assurance. Twenty-one professions are represented by boards and councils while the remaining three are under the direct administration of the department. The Division of Medical Quality Assurance takes disciplinary action against health-care providers who are found to have violated the regulations that govern the profession, establishes disciplinary training programs for staff and board members, and enforces stringent reporting requirements imposed on hospitals and other health-care providers.

The Division of Real Estate regulates the state's real estate professions. This division administers examinations and regulates time-share resale activity to ensure individuals engaging in time-share resales are licensed brokers.

The remaining professions that the department licenses are under the jurisdiction of the Division of Professions. Seventeen professions are represented by professional boards, and four professions are under direct supervision of the department. The director of this division coordinates the administrative activities

of the boards, acts as liaison between the boards and other areas of the department, and assists in identifying qualified candidates for appointment to the boards. In addition, the Division of Professions conducts reviews of professions and board offices and makes recommendations to improve efficiency and work quality, conducts monthly meetings to inform board executive directors of policy changes, and coordinates training seminars for new board members.

The boards for the professions operate under the department's jurisdiction. Members are appointed by the governor and each board must have at least one consumer member who is not licensed in the board's profession. Boards receive administrative support from the department in the form of an executive director and staff. The boards screen applications to verify candidates' eligibility for licensure and take disciplinary action against licensees found to be in violation of the laws and regulations that govern the professions.

**Comparison of Professions Licensed
by Regulatory Agencies in
California, Illinois, New York and Florida**

Profession	California Department of Consumer Affairs	Illinois Department of Professional Regulation	New York Office of the Professions	Florida Department of Professional Regulation
Accountants	Yes	Yes	Yes	Yes
Acupuncturists	Yes	No	Yes	Yes
Animal health and veterinary technicians	Yes	Yes	Yes	No
Architects	Yes	Yes	Yes	Yes
Attorneys	No	No	No	No
Auctioneers	No	No	No	Yes
Automotive repair technicians	Yes	No	No	No
Barbers	Yes	Yes	No	Yes
Bay or harbor pilots	No	No	No	Yes
Behavioral scientists	Yes	Yes	Yes	Yes
Bill collectors	Yes	No	No	No
Boxers, boxing officials, etc.	Yes	Yes	No	No
Cemetery sales	Yes	No	No	No
Chiropractors	No	Yes	Yes	Yes
Construction contractors	Yes	No	No	Yes
Cosmetologists	Yes	Yes	No	Yes
Dental hygienists	Yes	Yes	Yes	Yes
Dentists	Yes	Yes	Yes	Yes
Dispensing opticians	Yes	No	Yes	Yes
Embalmers	Yes	Yes	No	Yes
Engineers	Yes	Yes	Yes	Yes
Foresters	No	No	No	No
Funeral directors	Yes	Yes	No	Yes
Geologists	Yes	No	No	Yes
Geophysicists	Yes	No	No	No
Guide dog instructors	Yes	No	No	No
Hearing aid dispensers	Yes	No	No	Yes
Horse racing personnel	No	No	No	No
Insurance sales	No	No	No	No
Land surveyors	Yes	Yes	Yes	Yes
Landscape architects	Yes	No	Yes	Yes
Medical lab technicians	No	No	No	No
Nurses - registered	Yes	Yes	Yes	Yes
Nurses - vocational and practical	Yes	Yes	Yes	Yes
Nursing home administrators	Yes	Yes	No	Yes
Optometrists	Yes	Yes	Yes	Yes
Osteopathic practitioners	No	Yes	No	Yes
Pharmacists	Yes	Yes	Yes	Yes
Physical therapists	Yes	Yes	Yes	Yes
Physicians	Yes	Yes	Yes	Yes

Continued on Next Page

Profession	California Department of Consumer Affairs	Illinois Department of Professional Regulation	New York Office of the Professions	Florida Department of Professional Regulation
Physician assistants	Yes	Yes	Yes	Yes
Podiatrists	Yes	Yes	Yes	Yes
Private investigators	Yes	Yes	No	No
Psychiatric technicians	Yes	No	No	No
Psychologists	Yes	Yes	Yes	Yes
Real estate agents and brokers	No	Yes	No	Yes
Respiratory therapists	Yes	No	No	Yes
Shorthand reporters	Yes	Yes	Yes	No
Speech pathologists	Yes	Yes	Yes	Yes
Structural pest examiners	Yes	No	No	No
Tax preparers	Yes	No	No	No
Teachers	No	No	No	No
Vehicle-related occupations	No	No	No	No
Veterinarians	Yes	Yes	Yes	Yes

Note: "Yes" indicates that the profession is licensed by the central licensing agency that is identified in the column heading.

"No" indicates that the profession is not licensed by the central licensing agency that is identified in the column heading. For states other than California, the profession may be licensed by another regulatory entity or may not require licensure in that state.

All professions listed are licensed in California either by the Department of Consumer Affairs or by another regulatory entity.



State and Consumer Services Agency

OFFICE OF THE SECRETARY
915 CAPITOL MALL, SUITE 200
SACRAMENTO, CA 95814
(916) 323-9493

Building Standards Commission
Consumer Affairs
Fair Employment & Housing
Fire Marshal
Franchise Tax Board
General Services
Museum of Science & Industry
Personnel Board
Public Employees' Retirement System
Teachers' Retirement System
Veterans Affairs

May 8, 1991

Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

Thank you for the opportunity to comment on your draft report: "The Potential Benefits of Further Centralizing the Functions of State Entities That Regulate Professions Appear Limited (P-022)."

The State and Consumer Services Agency concurs with the conclusions and recommendations reached in your report with the exception of one topical area. We recognize that the report focused primarily on costs and did not address qualitative issues but we are not in complete agreement with the general conclusion that some entities having their own investigative programs should retain them because they can perform such functions at less cost, or more efficiently, or both. It is our opinion that the Department of Consumer Affairs' (DCA) centralized Division of Investigation (DOI) provides better, more cost effective services.

We believe that the study did not completely weigh the benefits of centralizing investigative functions. For example, the report did not consider the value to the public of completely independent, objective investigations. The report also appears to compare dissimilar job classifications in arriving at comparative costs and overlooks increased efficiency attained by highly trained, sworn investigators.*

We agree that audit and inspection functions are more properly conducted by the respective licensing entities because they can accomplish such programs more cost effectively. As a result DOI transferred all of its inspection functions and personnel back to several constituent agencies in 1986/87. However, we believe a centralized investigative program provides greater public protection in terms of autonomy, integrity, objectivity and performance.

*The Office of the Auditor General's comments on this response begin on page 39.

Kurt R. Sjoberg
Page Two
May 7, 1991

Thank you for the opportunity to provide our comments on your report. If you have any questions, you may wish to have your staff contact C. Lance Barnett, Chief Deputy Director, Department of Consumer Affairs at 445-1591.

Sincerely yours,


BARBARA FITZER
Deputy Secretary

BF:ejp

**Comments The Office of the Auditor General’s Comments
on the Response From the
State and Consumer Services Agency**

To provide clarity and perspective, we are commenting on the response to our audit report from the State and Consumer Services Agency.

The agency’s response implies that investigations performed by entities other than the Division of Investigation (division) in the Department of Consumer Affairs (DCA) might not be objective. However, in reviewing investigations performed by four regulatory entities in the DCA and by the division, we found no evidence to suggest that investigations performed by regulatory entities were any more or less objective than investigations performed by the division.

We compared the hourly costs of investigations performed by the division and four other entities, rather than comparing job classifications as suggested in the agency’s response. As we state in our report, the four entities in the DCA and the division use four different types of personnel to conduct their investigations. However, we also state that the division and all four entities conduct and complete investigations to respond to complaints and to detect and verify violations of applicable laws.

The DCA has not conducted studies to determine the efficiency of the division’s investigators compared with other investigators and was unable to provide us with quantifiable information by which one could conclude that the division’s investigators are more efficient than other investigators.

**cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps**