

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**DEPARTMENT OF CONSUMER AND
REGULATORY AFFAIRS
PART II**

REPORT OF INSPECTION



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

Inspections and Evaluations Division
Mission Statement

The Inspections and Evaluations (I&E) Division of the Office of the Inspector General is dedicated to providing District of Columbia (D.C.) government decision makers with objective, thorough, and timely evaluations and recommendations that will assist them in achieving efficiency, effectiveness, and economy in operations and programs. I&E goals are to help ensure compliance with applicable laws, regulations, and policies, to identify accountability, recognize excellence, and promote continuous improvement in the delivery of services to D.C. residents and others who have a vested interest in the success of the city.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

September 21, 2006

Patrick J. Canavan, Psy.D.
Director
Department of Consumer and Regulatory Affairs
941 N. Capitol Street, N.W., Suite 9500
Washington, D.C. 20002

Dear Dr. Canavan:

Enclosed is our final *Report of Inspection of the Department of Consumer and Regulatory Affairs, Part Two*. Your agency's comments on the 25 findings and 43 recommendations by the inspection team are included, verbatim, in the body of the report following each finding and the associated recommendations.

In accordance with Mayor's Order 2000-105, District agencies are responsible for taking action on all agreed-upon recommendations in this final Report. We are pleased to note your agreement with all 43 of our recommendations. This clearly reflects your interest in taking the actions necessary to create a more efficient and better managed DCRA.

The OIG has established a process to track agency compliance and to facilitate our follow-up inspection activities. Enclosed are *Compliance Forms* on which to record and report to this Office any actions you take concerning each outstanding recommendation. These forms will assist you in tracking the completion of actions taken by your staff. We track agency compliance with all agreed-upon recommendations made in our reports of inspection, and we request that you and your staff establish response dates on the forms, and advise us of those dates so we can enter them on our copies of the *Compliance Forms*.

In some instances, things beyond your control, such as budget decisions, inhibit setting specific deadlines for complying with certain recommendations. In those instances, we request that you assign *target dates* based on whatever knowledge and experience you have about a particular issue. Please ensure that all *Compliance Forms* are returned to the OIG by the response date, and that reports of "Agency Action Taken" reflect actual completion, in whole or in part, of a recommended action rather than "planned" action. We will work closely with your designated point of contact throughout the compliance process.

Letter to Patrick J. Canavan, Psy.D.

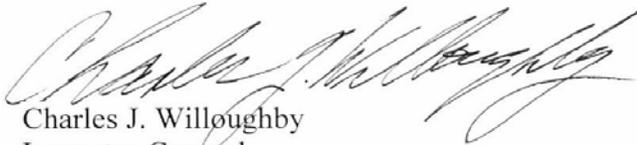
September 21, 2006

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We appreciate the cooperation shown by you and your employees during the inspection, and we hope to continue in a cooperative relationship during the follow-up period.

If you have questions or require assistance in the course of complying with our recommendations, please contact me or Alvin Wright, Jr., Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles J. Willoughby". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Charles J. Willoughby
Inspector General

CJW/ef

Enclosure

cc: See Distribution

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Letter to Patrick J. Canavan, Psy.D.

September 21, 2006

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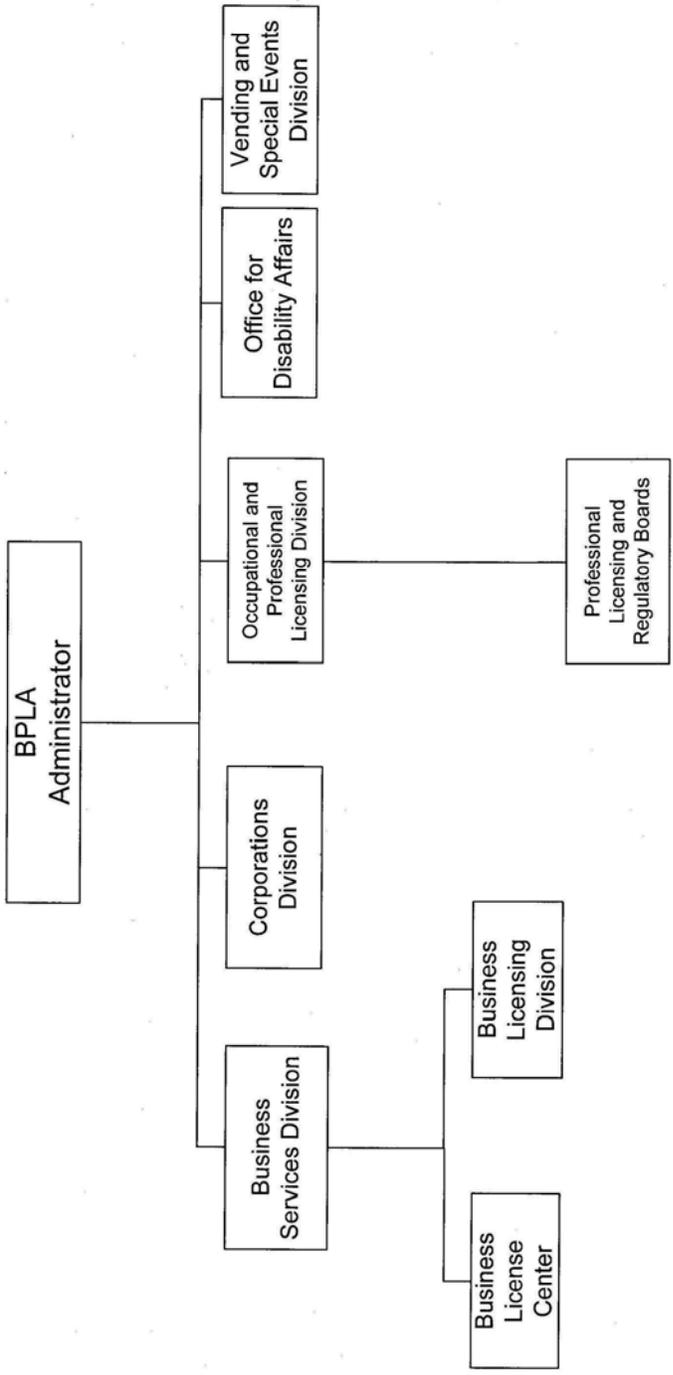
Appendix 4: D/DCRA Response to MAR 05-I-003

Appendix 5: Photographs of OPLD file storage area

ORGANIZATION CHART

Department of Consumer & Regulatory Affairs

Business & Professional Licensing Administration (BPLA)



ACRONYMS

ACRONYMS

BPE	Board of Professional Engineers
BPLA	Business and Professional Licensing Administration
BLC	Business Licensing Center
BLD	Business Licensing Division
BSD	Business Service Division
CD	Corporations Division
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
CWD	Center for Workforce Development
CSC	Customer Service Center
CTS	Corporate Tracking System
D/DCRA	Director/Department of Consumer and Regulatory Affairs
DCRA	Department of Consumer and Regulatory Affairs
I&E	Inspections and Evaluations Division
NCWM	National Conference on Weights and Measures
NIST	National Institute of Standards and Technology
OCE	Office of Compliance and Enforcement
OCP	Office of Contracting and Procurement
ODA	Office for Disability Affairs
OI	Office of Investigations
OIG	Office of the Inspector General
OIS	Office of Information Systems
OPLD	Occupational and Professional Licensing Division

ACRONYMS

OWM	Office of Weights and Measures
PEF	Professional Engineers Fund
PLRB	Professional Licensing and Regulatory Boards
ROI	Report of Inspection
UBLP	Unpaid Business License Project
VSED	Vending and Special Events Division

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background and Perspective

The Inspections and Evaluations Division (I&E) of the Office of the Inspector General (OIG) began an inspection of the District of Columbia Department of Consumer and Regulatory Affairs (DCRA) in June 2004.

Due to the size and diversity of DCRA's programs and its corresponding responsibilities, our inspection activities have been divided into three parts, and we will issue three separate reports. Part One addresses the Housing Regulation Administration (HRA). This report is Part Two and covers the Business and Professional Licensing Administration (BPLA). Part Three will address the Building and Land Regulation Administration (BLRA).

Scope and Methodology

OIG inspections comply with standards established by the President's Council on Integrity and Efficiency, and pay particular attention to the quality of internal control.¹

This inspection, conducted from February to August 2005, focused on the management, operations, and accountability in key areas of BPLA that included the Occupational and Professional Licensing Division (OPLD), Business Services Division (BSD), Corporations Division (CD), Professional Licensing and Regulatory Boards (PLRB), Office for Disability Affairs (ODA), and Vending and Special Events Division (VSED). In addition, this inspection reviewed the operations of DCRA's Office of Compliance and Enforcement (OCE) in order to address certain investigative and enforcement aspects of BPLA operations.² This report contains 25 findings and 43 recommendations.

Compliance and Follow-Up

The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Compliance forms with findings and recommendations will be sent to DCRA along with this Report of Inspection (ROI). The I&E Division will coordinate with DCRA on verifying compliance with recommendations in this report over an established time period. In some instances, follow-up inspection activities and additional reports may be required.

¹ "Internal control" is synonymous with "management control" and is defined by the Government Accountability Office as comprising "the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, Introduction at 4 (Nov. 1999).

² OCE operations include the Office of Investigations (OI) and Office of Weights and Measures (OWM).

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Key Findings

DCRA exercises insufficient oversight of the licensing process for non-medical professionals. (Page 18) The Occupational and Professional Licensing Division (OPLD) is responsible for reviewing non-medical license applications, administering examinations, maintaining records, and responding to licensing certification requests from other jurisdictions. OPLD has outsourced the data collection and application review process to a vendor located outside of the District. However, OPLD does not provide sufficient and systematic oversight of the vendor's operations to ensure the quality and integrity of the licensing process and the collection of application fees. For example, because the fees are collected up front by the vendor and are not verified, DCRA is unaware of the amount of funds collected. Consequently, DCRA may not be realizing the maximum revenue from licensing fees. In addition, lax security at the vendor's location contributed to the issuance of fraudulent licenses in 2000, and there is a continued risk of fraud. **Recommendation:** That the D/DCRA conduct a comprehensive assessment of the system for licensing non-medical professionals and revise it, based on best practices, to provide maximum oversight.

DCRA does not audit the vendor's monthly reports of application fees collected. (Page 19) Under the provisions of the licensing contract, applicants submit application fees directly to the vendor. These fees are deposited daily into the vendor's bank account, and are remitted monthly to DCRA after the vendor's fees have been deducted.³ The team found, however, that DCRA does not conduct regular audits or reconciliations to ensure that the amount of fees reported by the vendor agrees with the number of licenses issued. **Recommendation:** That the D/DCRA conduct regular audits to verify the fees reported each month by the contractor for licenses issued.

DCRA pays the vendor without ensuring that contract requirements have been met. (Page 20) The team found that the vendor has been paid even though a number of requirements specified in the contract have not been met. There is no language in the contract that imposes penalties for failure to provide agreed-upon requirements according to scheduled timetables. **Recommendations:** (a) That the D/DCRA and Office of Contracting and Procurement ensure that future contracts for licensing services require a program official to verify and approve the satisfactory completion of all requirements prior to contractor payment. (b) That the D/DCRA and OCP ensure that future contracts for licensing services contain a provision requiring the contractor to remit gross revenues to the District and invoice separately.

Business Services Division

Security deficiencies in the Business Services Division increase the risk that fraudulent licenses could be issued. (Page 23) The Business Services Division (BSD) is comprised of the Business Licensing Division (BLD) and the Business Licensing Center (BLC). Both divisions process and issue initial and renewal basic business licenses, and are charged with ensuring the

³ The vendor collects and processes all licensing fees and forwards all revenues above the contract fee amount to the D.C. government. In fiscal year (FY) 2004, the vendor collected \$75 per license issued (initial, renewal, and reinstated). This fee was reduced to \$70 per license issued for FY 2005 and according to the contract, will be reduced to \$65 per license issued in FY 2006.

EXECUTIVE SUMMARY

accuracy and integrity of business license activity within the District. BSD has no written security procedures to protect the integrity of the licensing function. The lack of written security procedures may allow the issuance of fraudulent licenses. The team noted that there are deficiencies in the BSD database, annual audits are not conducted, daily reconciliations are not performed, and no written security procedures exist for the care and handling of photo identification badges. **Recommendations:** (a) That the D/DCRA continually review the business license database to increase internal safeguards and implement changes as warranted. (b) That the D/DCRA ensure that annual or quarterly audits of the basic business licensing function are conducted. (c) That the D/DCRA ensure that BSD performs a daily reconciliation of all licenses issued, applications received, blank license stock used, and revenue collected. (d) That the D/DCRA ensure that security procedures for the photo process, and custody and destruction of photo identification badges, are written and included in the BSD standard operations manual.

Business license applications are not properly filed or stored. (Page 26) The team found that DCRA's business license filing and retrieval system has many problems. There are no formal filing procedures, and applicant files are incomplete and stored in inadequate space. The team attempted to review 160 application files, but could only locate and review one file. In nearly all cases, employees suggested that the missing files could be found in another location. However, the team was unable to locate the files in either the Business License Center or the Business Licensing Division. In addition, there was a large number of application files maintained in the basement storage area, about which management had little information. BSD managers stated that they are aware of these problems, and agreed that the current system is not well organized and cannot be effectively used to archive and retrieve license application documentation. **Recommendation:** That the D/DCRA review the department's current filing system procedures, expedite a file review, and hire contracted labor, if necessary, to properly organize and store BSD license documents.

Blank business license stock is not properly inventoried and controlled. (Page 28) The BSD maintains a supply of blank license stock that is used when official licenses are printed upon completion of the application process. The team noted that there was no tracking system to account for the inventory. **Recommendations:** (a) That the D/DCRA conduct a complete inventory of blank license stock and maintain an official inventory that identifies all license stock activity. (b) That the D/DCRA develop and implement written policies and procedures for the inventory and control of blank license stock. (c) That the D/DCRA take action to securely store all license stock.

DCRA does not adequately document its project to identify businesses operating in the District without renewing their licenses. (Page 29) In April 2003, DCRA's Office of Information Systems identified approximately 10,000 business licenses on file that had not been renewed. This raised the possibility that many businesses may have continued operating illegally after the expiration of their licenses. DCRA began the Unpaid Business License Project (UBLP) to determine through contacts and investigations the number of unlicensed businesses operating, and to take enforcement action to require renewals and collect unpaid fees. However, DCRA could not provide documentation about the progress of the project, such as the number of investigations undertaken, the number of businesses involved, the amount of revenue collected,

EXECUTIVE SUMMARY

and the current status of the project. **Recommendations:** (a) That the D/DCRA ensure that BPLA provides an up-to-date, documented status report on the UBLP to senior DCRA management annually. (b) That the D/DCRA evaluate the needs of the UBLP and take steps to improve its efficiency and effectiveness.

BPLA does not update and maintain the Basic Business License database as required by BSD procedures. (Page 31) Updating and maintaining business license records are essential to collecting fees and ensuring a historical account of business activity. DCRA employees stated that they update changes in the database, but do not maintain project summary reports documenting those updates. The proper use and management of the Basic Business License database are essential for ensuring the credibility of the agency's licensing and renewal collection activities. **Recommendation:** That the D/DCRA ensure that the Program Manager of the BLD implement the policies and procedures already in existence for updating the Basic Business License database and for maintaining project summary reports, or that the Program Manager document any new policies and procedures, including the use of any new management reporting tool.

The administrative separation of the Business Licensing Division (BLD) and the Business Licensing Center (BLC) may be inefficient and ineffective. (Page 32) Although the daily functions of the BLD and BLC are similar in that both process new and renewal licenses and share information and applicant files, the units operate under two separate managers reporting to the BPLA administrator. The current "split" structure causes confusion among staff regarding licensing procedures and prevents either manager from taking full advantage of workload "peaks and valleys" to maximize employee efficiency in both units. **Recommendation:** That the D/DCRA conduct an analysis of the administrative and program functions of the BLC and BLD and consider uniting them under a single manager.

Office for Disability Affairs

No findings or recommendations.

Corporations Division

The Corporations Division (CD) Corporate Tracking System is inadequate. (Page 37) The team found that the Corporate Tracking System (CTS) only generates statistics for completed applications and not pending applications. The CTS also does not have a tracking device to determine which paralegal specialist (Specialist) inputs or processes information into the system. In addition, Specialists are required to constantly re-create standard form letters because the tracking system does not allow editing of these documents. **Recommendation:** That the D/DCRA ensure that the CD upgrades and maintains its automated systems so that it tracks employee input, modifies standard documents, and generates statistics for pending and completed applications.

Customer service staffing and administrative support is inadequate. (Page 38) Due to inadequate staffing, the Division Program Manager requires all employees to work temporarily in the Corporations Customer Service Center three times a week and provide coverage for

EXECUTIVE SUMMARY

absentees. DS-11 and DS-13 Specialists are required to answer telephones on a daily basis. The Specialists are also required to process bulk-mailings of over 15,000 letters and provide customer support service. Due to insufficient administrative support, the Division's Specialists cannot manage all of their responsibilities, and critical tasks are not completed timely.

Recommendation: That the D/DCRA provide the CD with adequate administrative and customer service staff to support its mission.

Division telephone service is unreliable. (Page 39) The Division Manager stated that the CD is often without adequate telephone service. Long-distance service is not always available, voicemail messages are inaccessible, and there are malfunctioning telephone lines. Requests have been made to DC-Net to make repairs and improve services, but DC-Net has not been responsive. **Recommendation:** That the D/DCRA conduct a survey of the Division's telephone problems and take steps to resolve them as soon as possible.

Occupational and Professional Licensing Division

Licensing records in the Occupational and Professional Licensing Division (OPLD) are in disarray, are difficult to retrieve, and are not securely stored. (Page 43) In order to determine if OPLD was in compliance with D.C. Code requirements for proper supporting documentation from applicants when issuing licenses, the team attempted a review of 300 files containing information related to issued licenses. The team found that the files were in such disarray that a meaningful review could not be completed. In addition, the team found that these records, which contain sensitive personal information, are not stored securely, and the amount of storage space provided for them is inadequate. **Recommendation:** That the D/DCRA and BPLA managers review filing procedures and space requirements, and take steps to expeditiously organize documents and files for accurate retrieval, and securely store them in a central location that is accessible only to authorized personnel.

OPLD fails to ensure that applicants do not owe the District money before issuing them a license. (Page 44) The Clean Hands Before Receiving a License or Permit Act of 1996 (Act), codified at D.C. Code §§ 47-2861 to 2866 (2001), prohibits the Mayor from issuing a license or permit to any applicant who owes the District more than \$100. In order to be in compliance with the Act, the OPLD licensing process requires applicants to sign a Clean Hands Certification form. However, OPLD does not verify that applicants do not owe debts to the District before issuing them a license. **Recommendation:** That D/DCRA coordinate with the Office of Tax and Revenue, the Department of Public Works, the Department of Motor Vehicles, and the District of Columbia Water and Sewer Authority to develop a plan to determine the debt status of an applicant prior to issuing a license.

OPLD oversight of the occupational and professional licensing contract has been inadequate. (Page 45) OPLD's Contracting Officer's Technical Representative (COTR) has not regularly evaluated the performance of the licensing contractor. The COTR does not verify the contractor's performance reports, has never initiated a financial or performance audit of the contractor's operations, and has not conducted either planned or random inspections at the contractor's facilities, as called for by the COTR training manual. **Recommendations:** (a) That the D/DCRA work with the Office of Contracting and Procurement (OCP) to ensure proper

EXECUTIVE SUMMARY

oversight is provided for the licensing contract. (b) That the D/DCRA ensure that the COTR conducts an independent evaluation of the contractor at the end of the contract period. (c) That the D/DCRA ensure that the COTR has the requisite training for managing the licensing contract.

Deficiencies in security procedures still exist and may allow the issuance of fraudulent licenses. (Page 48) In September 2000, DCRA discovered that an employee of its occupational and professional licensing contractor had issued fraudulent licenses. In October 2000, DCRA requested an investigation regarding the issuance of these licenses. After completing an investigation, the contractor adopted physical controls and electronic security measures to enhance data security to prevent the issuance of fraudulent licenses. However, during our inspection, the team found that some of the deficiencies cited during the investigation, as well as others not cited previously, continue to exist, and additional measures may be needed to further mitigate the risk of fraud. **Recommendations:** (a) That the D/DCRA collaborate with the contractor to draft a manual for security policies and procedures and ensure that it is properly distributed. (b) That the D/DCRA initiate periodic audits of the contractor's licensing operation. (c) That the D/DCRA and the contractor conduct an inventory of license stock, generate and maintain an official inventory log that identifies all license stock activity, and implement the imprinting of serial numbers on all license stock. (d) That the D/DCRA conduct a review of the contractor's security procedures to ensure compliance. (e) That the D/DCRA evaluate, document, and monitor all verbal operational and security procedures. (f) That the D/DCRA establish a system to ensure that the contractor secures the photo-scan area from unauthorized personnel at all times.

The vendor does not provide all services stipulated in the licensing contract. (Page 52) OPLD has outsourced its professional licensing functions to the same vendor since January 7, 1999. The team reviewed the contract for January 2004 to January 2005 and found no specific timetables for contract requirements, and that many services have not been provided. **Recommendations:** (a) That the D/DCRA and OCP review the current contract and ensure that a contract requirements timetable is established, and that services are provided before the end of the contract period. (b) That the D/DCRA and OCP ensure that contract requirements timetables are clearly defined in any new contract.

OPLD lacks a customer service tracking system. (Page 54) OPLD and the contractor providing licensing services receive a large volume of telephone inquiries and written complaints each year. The team found that neither OPLD nor the vendor have a comprehensive system for tracking and documenting the resolution of all complaints and inquiries relating to professional licensing. **Recommendation:** That the D/DCRA coordinate with the licensing contractor to develop and implement an effective complaint and resolution tracking system.

Professional Licensing and Regulatory Boards

Professional Licensing Boards do not have written procedures or documentation delegating board approval authority. (Page 57) Professional licensing and regulatory boards have review and approval authority over all license applications. The team found that written procedures do not exist for the delegation of approval authority by the boards to OPLD. Also,

EXECUTIVE SUMMARY

the boards and OPLD could not provide the team with board minutes approving this delegation of authority. **Recommendations:** (a) That the D/DCRA and the licensing and regulatory boards establish policies and procedures to ensure that each board provides written delegation authority to DCRA for the review, approval, and issuance of occupational and professional licenses. (b) That the D/DCRA ensure that the licensing boards are provided with a monthly report of all licensee activity. (c) That the D/DCRA coordinate with all licensing board chairpersons to ensure that reciprocity license applications are reviewed and approved by the appropriate boards.

Boards do not have adequate administrative and legal support. (Page 60) D.C. Code § 47-2853.10 (a) (2) (2001) states, in part, that the Mayor shall be responsible for “[p]lanning, developing, and maintaining procedures to ensure that the boards receive administrative support, including staff and facilities sufficient to enable them to perform their duties[.]” “Section (a)(3) states the Mayor shall be responsible for providing investigative and inspection services to the boards.” The team found that DCRA has assigned only one person from its Office of General Counsel to provide legal assistance to the 17 boards. In addition, the team found that OPLD contact representatives are not able to provide adequate administrative support to the boards due to their workload and recent retirements. **Recommendations:** (a) That the D/DCRA conduct an assessment of legal services required by the licensing boards and provide additional staffing, where necessary. (b) That the D/DCRA fill the recently vacated OPLD contact representative positions to ensure that administrative support to the licensing boards is not compromised.

Vending and Special Events Division

The Vending and Special Events Division has effectively organized and streamlined the special events licensing function, implemented security procedures, and increased collections of fines owed to the District. (Page 63) The team found that the Vending and Special Events Division (VSED) has done an excellent job of streamlining and organizing what once was an extremely long and frustrating licensing and permit process. The team also found that VSED has been diligent in collecting outstanding fines and penalties owed to the District before issuing vendors a renewal license. In FY 2004, VSED collected over \$250,000 in fines and penalties owed to the District. **Recommendation:** None.

Office of Compliance and Enforcement

Office of Compliance and Enforcement (OCE) investigators and inspectors do not receive job-specific training. (Page 66) The team found that although OCE investigators and inspectors are experienced and can perform satisfactorily, they have not been provided with current training in investigative techniques and changes in professional conduct standards recognized in the inspector community (including specifications, tolerances, and other technical requirements for weighing and measuring devices). **Recommendation:** That the D/DCRA and the Compliance Officer for the Office of Investigations and Weights and Measures develop and fund a job-specific training program that can provide basic training for new investigators, as well as updates to maintain the skills of experienced investigators.

OCE does not have sufficient investigative and inspection tools. (Page 67) The team found that DCRA has not provided OCE with: (1) an adequate number of vehicles to conduct

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investigations; (2) adequate office equipment, such as printers; and (3) database access for investigators and inspectors, even in read only formats. The lack of vehicles, printers, and access to all pertinent DCRA databases slows the investigative and inspection process, and may result in incomplete or flawed investigations and inspections. **Recommendation:** That the D/DCRA and the Deputy Director for Compliance and Enforcement direct a comprehensive review of the needs cited by investigators and inspectors, and act to provide necessary investigative and inspection tools and equipment.

OCE is not adequately staffed to proactively conduct surveys and investigations. (Page 67) OCE is responsible for conducting compliance surveys to prevent non-licensed businesses, non-registered corporations, and non-licensed professionals from operating in the District.⁴ OCE management stated that due to current staffing levels, OCE is only able to conduct limited compliance surveys, and has just enough investigators to conduct investigations of unlicensed businesses, professionals, and corporations on a “complaint” driven basis. **Recommendation:** That the D/DCRA increase the number of investigators so that proactive investigations can be conducted to ensure that only licensed businesses, professionals, and corporations with proper certification operate in the District.

Office of Weights and Measures (OWM) employees do not have protective clothing. (Page 68) OWM inspectors are required to test the weighing devices and scales at all trash transfer stations operating in the District. These transfer stations contain solid waste household chemicals, motor oil, and other hazardous waste items. The team found that OCE does not provide protective clothing to OWM inspectors to wear when they conduct these inspections. **Recommendation:** That the D/DCRA ensure that OWM inspectors are provided protective clothing and equipment for conducting inspections at locations that might expose them to chemical or radiological hazards, mechanical irritants, or other dangerous elements.

⁴ When OCE initiates a compliance survey, investigators identify a street or corridor of the District and conduct physical surveys of all businesses operating on that street or within that corridor. The investigators ensure that the surveyed businesses have a legally posted business license and a certificate of occupancy. The investigators will verify that the business “use” stated on the certificate of occupancy is accurate. The investigators also verify the licenses of all professionals working in the establishment to ensure that the licenses are current.

INTRODUCTION

INTRODUCTION

Background and Perspective

The Inspections and Evaluations Division (I&E) of the Office of the Inspector General (OIG) began an inspection of the District of Columbia Department of Consumer and Regulatory Affairs (DCRA) in June 2004.

With a fiscal year (FY) 2006 budget of approximately \$40 million and approximately 430 full-time employees, DCRA regulates and monitors many facets of life in the District of Columbia. According to its website:

DCRA ensures the health, safety, and economic welfare of District residents through licensing, inspection, compliance, and enforcement programs. DCRA regulates business activities, land and building use, construction safety, historic preservation, rental housing and real estate, and occupational and professional conduct within the District. DCRA takes legal action against businesses and individuals who violate District laws, and works to prevent the occurrence of illegal, deceptive, and unfair trade practices through education and public awareness programs.⁵

Scope and Methodology

Due to the size and diversity of DCRA's programs and its corresponding responsibilities, our inspection activities have been divided into three parts, and we will issue three separate reports. This report is Part Two and covers the Business and Professional Licensing Administration (BPLA). Subsequent reports will address the Housing Regulation Administration (HRA) and the Building and Land Regulation Administration (BLRA). These reports will also address issues that affect overall operations of DCRA.

OIG inspections comply with standards established by the President's Council on Integrity and Efficiency, and pay particular attention to the quality of internal control.⁶

BPLA regulates the practice of approximately 72,000 individuals in professions and trades as varied as plumbers, accountants, and real estate agents. Working through licensing and regulatory boards, BPLA processes applications, administers examinations, issues licenses, and maintains the District's official licensure records. Additionally, BPLA regulates commercial activity in the District and issues licenses for businesses. BPLA also registers corporations and partnerships, and acts as the State Agency for Disability Affairs.⁷

⁵ See <http://www.dcre.dc.gov>

⁶ "Internal control" is synonymous with "management control" and is defined by the Government Accountability Office as comprising "the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, Introduction at 4 (Nov. 1999).

⁷ See <http://www.dcre.dc.gov>

INTRODUCTION

BPLA operations are funded through appropriated dollars and revenue generated from BPLA licensing operations. DCRA reported to the team that during FYs 2003, 2004, and 2005, BPLA operations generated the following licensing revenue:

SPECIAL PURPOSE REVENUE COLLECTIONS⁸

YEAR	FUND DETAIL TITLE	REVENUE
FY 2003	Special Account ⁹	\$1,301,447
	Special Events Revolving	\$ 30,383
	Basic Business License	\$3,713,784
	Board of Engineers Fund	\$ 133,589
	FY 2003 Total	\$5,179,203
FY 2004	Special Account	\$1,966,237
	Special Events Revolving	\$ 42,596
	Basic Business License	\$5,396,751
	Board of Engineers Fund	\$ 485,981
	FY 2004 Total	\$7,891,565
FY 2005	Special Account	\$1,414,696
	Special Events Revolving	\$ 27,370
	Basic Business License	\$3,026,873
	Board of Engineers Fund	\$ 118,881
	FY 2005 Total	\$4,587,820

During this part of the inspection, conducted from February to August 2005, the inspection team (team) focused on management, operations, and accountability in these key areas of BPLA: Occupational and Professional Licensing Division (OPLD); Business Services Division (BSD); Corporations Division (CD); Professional Licensing and Regulatory Boards (PLRB); Office for Disability Affairs (ODA); and Vending and Special Events Division (VSED). In addition, the team interviewed employees of DCRA's Office of Compliance and Enforcement (OCE) in order to address certain investigative and enforcement aspects of the BPLA operations.

The team conducted nearly 100 interviews and work observations, issued an anonymous and confidential employee survey, and analyzed numerous documents and past management analysis reports conducted by outside entities, including KPMG¹⁰ and the Business Regulatory Reform Commission (BRRC).¹¹ The team also reviewed reports issued by the City Council's Committee on Consumer and Regulatory Affairs.

⁸ Source: Department of Consumer and Regulatory Affairs - Office of the Chief Financial Officer.

⁹ Occupational Professional Licenses

¹⁰ KPMG utilized a variety of mechanisms to evaluate current conditions and potential improvements, while identifying solutions that could improve customer service, increase efficiency and enhance the District's image as a place to live and do business.

¹¹ The Business Regulatory Reform Commission Act of 1994, D.C. Law 10-212, effective on March 16, 1995, created the Business Regulatory Reform Commission. The Commission's recommendations included broad changes to improve all aspects of business regulation in the District. In August 1997, the Commission submitted a report to the Mayor and members of the City Council that focused particular attention on DCRA.

INTRODUCTION

This report contains 25 findings and 43 recommendations.

Compliance and Follow-Up

The OIG inspection process includes follow-up with inspected agencies on findings and recommendations. Compliance forms with findings and recommendations will be sent to DCRA along with this Report of Inspection (ROI). The I&E Division will coordinate with DCRA on verifying compliance with recommendations in this report over an established time period. In some instances, follow-up inspection activities and additional reports may be required.

EMPLOYEE SURVEY

EMPLOYEE SURVEY

The team administered an anonymous and confidential survey to all BPLA employees. Employee responses to survey questions and written comments were used to obtain their opinions and determine attitudes regarding selected issues. A sample survey is provided at Appendix 2. Forty-five percent of BPLA employees responded to the survey, and the results are displayed at the end of this section. The team recommends that the Director of DCRA review the survey along with the findings and recommendations in this report as an aid in making necessary improvements within BPLA.

EMPLOYEE SURVEY

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS BUSINESS AND PROFESSIONAL LICENSING ADMINISTRATION 22 of 49 EMPLOYEES¹²

CATEGORY	FAVORABLE	UNFAVORABLE	NO OPINION	NO ANSWER
Organization	41.8%	37.3%	7.5%	13.4%
Management and Philosophy Style	53.6%	43.7%	2.7%	0.0%
Work Environment/Job Satisfaction	18.2%	76.0%	5.2%	0.6%
Equal Employment Opportunity	29.6%	15.9%	47.7%	6.8%
Sexual Harassment/Discrimination ¹³	72.7%	20.5%	2.3%	4.5%
Employee Protection	47.7%	18.2%	34.1%	0.0%
Policies and Procedures	63.6%	31.8%	4.6%	0.0%
Duties and Responsibilities	61.4%	28.4%	5.7%	4.5%
Managing Assignments/Responsibilities	61.4%	31.8%	0.0%	6.8%
Work Standards and Performance Evaluations	56.1%	33.3%	1.5%	9.1%
Training	81.8%	13.6%	0.0%	4.6%
Communication	13.7%	40.9%	38.6%	6.8%

¹² In February 2005, the team distributed surveys to all District government employees working in BPLA. A copy of the survey can be found at Appendix 2. The inspection team distributed 49 surveys and received 22 completed responses.

¹³ Approximately 20.5 percent of the respondents stated that they have been discriminated against or been sexually harassed. Approximately 72.7 percent of respondents stated that they have neither been discriminated against nor sexually harassed.

**Findings and
Recommendations:**

KEY FINDINGS

KEY FINDINGS

1. **DCRA exercises insufficient oversight of the licensing process for non-medical professionals.**

The Occupational and Professional Licensing Division (OPLD) is responsible for reviewing license applications, administering examinations, and responding to licensing certification requests from other jurisdictions. OPLD also provides administrative support to licensing and regulatory boards responsible for regulating licensed professionals operating in the District.

Best practices suggest that it is preferable to maintain licensing functions within an agency in order to maximize licensing revenue and to properly oversee the licensing and regulating of professionals providing services in the jurisdiction.¹⁴

OPLD uses an outside vendor to administer the licensing and records management activities for non-medical professionals.¹⁵ OPLD management indicated that this process was outsourced because maintaining it in-house was inefficient, labor intensive, extremely slow, and costly to the District.

The team found that OPLD was unable to verify the amount of revenue generated from the licensing function, and could not effectively oversee the application process. In addition, OPLD could not ensure implementation of specific security procedures.

In addition, the team found that the use of a poorly written outsourcing contract and the agency's insufficient program administration¹⁶ further prevented DCRA from:

- maximizing revenue collection from licensing functions;
- maintaining maximum oversight of application programs, processes, and active license databases;
- providing direct supervision of employees performing licensing functions; and
- directly overseeing and implementing security procedures to mitigate the risk of issuing of fraudulent licenses.

Recommendation:

That the D/DCRA conduct a comprehensive assessment of the system for licensing non-medical professionals, based on best practices, to provide maximum oversight and accountability for licensing revenue. Such an assessment might also include the cost effectiveness of continuing to outsource, as opposed to providing licensing services in-house.

¹⁴ The team reviewed the operations of consumer and regulatory agencies in 25 surrounding jurisdictions and found that most maintain all licensing and regulatory functions within their agencies. These jurisdictions provide consumers with web-based access to application, regulation, and licensing information, as well as provide consumers with the ability to download necessary application forms and/or request the forms be mailed.

¹⁵ Prior to 1998, DCRA maintained all medical and non-medical professional licensing functions within DCRA.

¹⁶ The current contract allows the contractor to obtain payment before all requirements have been met. Additionally, DCRA has provided few evaluations, audits, or site visits of the contractor's operations.

KEY FINDINGS

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

- A. *Current industry best practice is to outsource functions to achieve operational efficiency, economies of scale, and reduce costs. Many state and local governments, as well as the Federal [sic] government are the [sic] following this trend and engaging in collaborative efforts with private corporations. The results have blended the public service goals and market savvy of private industry.*
- B. *Prior to outsourcing the application process took 120 days. Currently, a renewal license takes 10 days. Prior to outsourcing, OPLD had a staff of 80 employees vs. 17 today. The cost of equipment, space, postage, computer software, system updates, maintenance and the additional cost for space is no longer a factor.*
- C. *We receive monthly activity reports detailing gross revenue collected, commission expenses, and new revenue payments owed to the District by the 10th of each month on every board with detail information. This information is also forwarded to the Chief Financial Officer Office so that the expenses and revenue can be booked. The auditor who reviews our operation every year uses the same accounting books for their calculations and evaluations of our operations. DCRA is in the process of assessing our system and will make adjustments as necessary.*

2. Due to DCRA's inadequate auditing and reconciliation procedures, the District may not be receiving the maximum amount of licensing revenue from the vendor.

Generally accepted government auditing standards state that internal controls, such as adequate auditing and timely procedures, should be written and implemented to ensure revenue integrity and timely detection of fraud or theft. Under the provisions of the current licensing contract, all applicants submit their application fees directly to the vendor at the time of their application. These fees are deposited daily into the vendor's bank account and remitted monthly to the District, minus the vendor's fees.¹⁷

The vendor is required to provide monthly activity reports detailing gross revenue collections, commission expenses, and net revenue payments owed to the District by the 10th of each month following collection activities. The report, however, does not detail the number of licenses issued, specific license fees, or licensee names.

The team found that the only reconciliation conducted by DCRA is to ensure that the wire transfer of funds due to DCRA is in agreement with the activity report submitted by the vendor the month prior. The team found that neither DCRA's Chief Financial Officer nor

¹⁷ The vendor's services are paid from the license fees collected by the vendor. The vendor collects and processes all licensing fees and forwards all revenue above the contract fee amount to the D.C. government. In FY 2004, the vendor collected \$75 per license issued (initial, renewal, and reinstated). This fee was reduced to \$70 per license issued in FY 2005 and, according to the contract, will be reduced to \$65 per license issued in FY 2006.

KEY FINDINGS

OPLD's Program Manager conduct monthly reconciliations to ensure that fees retained by the vendor agree with the number of initial, reinstated, and renewal licenses issued. In addition, DCRA does not conduct annual audits of the revenue submitted by the vendor. Due to these inadequate auditing and reconciliation procedures, District stakeholders cannot be certain that the maximum revenue is being collected from licensing operations.

Recommendation:

That the D/DCRA conduct regular audits to verify the fees reported each month by the contractor for licenses issued.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA has instituted an internal tracking system to verify audit reports provided by contractor. The agency also plans to fill a revenue coordinator position in FY 2007.

3. Lack of proper contract oversight allows the contractor to receive payment without meeting all contractual requirements.

Payments to contractors should be made after contractual requirements have been completed, verified, and approved by program officials, rather than having contractors collect payments before such approval.

The licensing contract currently in effect states that:

The contractor agrees to collect applicable fees for application, licensure, and other related services directly from applicants and licensees as part of the provided services. The contractor shall retain a negotiated fee on a per-transaction basis for an initial, reinstated, or renewed license only. Any fees collected beyond the agreed upon amount will be remitted to the Government of the District of Columbia on a monthly basis. The District of Columbia shall not be liable for any fees or costs hereunder nor any cost incurred in the collection of fees from licensees.

The team found that the following requirements listed in the contract had not been completed:

- a system to track continuing education credits and to perform compliance evaluations;
- on-line access to continuing education information to providers and licensees;
- user-friendly Continuing Education (CE) system unique to Real Estate and other boards;

KEY FINDINGS

- web page with photos and biographies of Commissioners and Board Members for each board;
- on-line renewal capabilities for all applicants;
- automated new license processing program for each board as a security measure with restricted override as a security measure; and
- an investigative tracking system of each license application processed.

Nevertheless, the contractor continued to collect payment for services. Authorizing payment to contractors prior to verification that requirements are met and approved by program officials eliminates an important compliance mechanism found in most contracts, and deprives the District of the ability to guarantee the timely delivery of quality goods and services.

Recommendations:

- a. That the D/DCRA and OCP ensure that future contracts for licensing services require a program official to verify and approve the satisfactory completion of all requirements prior to contractor payment.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA has implemented the following with the contractor:

- *a system to track continuing education credits and to perform compliance evaluations;*
- *on-line access to continuing education information to providers and licensees;*
- *user-friendly Continuing Education (CE) system unique to Real Estate and other boards;*
- *web page with photos and biographies of Commissioners and Board Members for each board;*
- *on-line renewal capabilities for all applicants;*
- *automated new license processing program for each board as a security measure with restricted override as a security measure; and*
- *an investigative tracking system of each license application processed.*

- b. That the D/DCRA and OCP ensure that future contracts for licensing services contain a provision requiring the contractor to remit gross revenues to the District and to bill related commission expenses separately.

DCRA's Response, as Received:

In the current contract, DCRA and the contractor have established that the contractor will not receive payment until timely issuance of the licenses. The recommendation would cause the contractor to receive untimely payments.

**Findings and
Recommendations:**

**BUSINESS SERVICES
DIVISION**

BUSINESS SERVICES DIVISION

The mission of the Business Services Division (BSD), comprised of the Business License Center (BLC) and the Business License Division (BLD), is to strengthen licensing operations and provide clear and concise licensing requirements for those wishing to operate a business in the District of Columbia.

The BLC processes new and renewal license applications, and is staffed with one program manager and eight contact representatives.¹⁸ DCRA stated the BLC processed 5,068 applications for new business licenses in FY 2004, and 4,651 applications in FY 2005.

The Business Licensing Division (BLD) is also responsible for processing renewal applications and issuing new licenses. It is staffed with one program manager, one program specialist, and six contact representatives. According to DCRA, the BLD processed 15,828 renewal applications in FY 2004, and 4,619 applications in FY 2005.

The primary operational difference between the BLC and BLD is that the BLC handles walk-in customers, and the BLD handles mail-in applications for new and renewal licenses.

4. Security deficiencies in the Business Services Division may allow fraudulent licenses to be issued.

The team found that although BSD has written operating procedures for licensing functions, it has no written security procedures. BSD relies on a combination of verbal and physical security precautions, including the use of audio and video surveillance equipment to ensure the integrity of the licensing function. The team noted that security deficiencies exist and that additional measures may be needed to reduce the risk of issuing fraudulent licenses.

a. The basic business license database could be improved to enhance the integrity of the licensing process.

The business license application process requires BLC contact representatives to enter information (such as the business name, address, and type of business) in the business license database. The database includes a series of “screens” which have built-in safeguards that require specific information before proceeding to the next screen. For example, businesses such as restaurants require a certificate of occupancy number. If the occupancy number is not entered in the database, an error message appears and the license cannot be issued. The team found, however, that safeguards are not built into every screen.

As another example, the licensing process requires BLC contract representatives to determine the applicant’s compliance with the Clean Hands Act (Act)¹⁹ by conducting an applicant search in the Office of Tax and Revenue (OTR) database. The team found, however,

¹⁸ Contact representatives process all new and renewal business license documents and forms.

¹⁹ The Clean Hands Before Receiving a License or Permit Act of 1996, D.C. Law 11-118, effective May 11, 1996, prohibits the Mayor from issuing a license or permit to any applicant who owes more than \$100 in outstanding debt to the District of Columbia. If the DCRA employee determines that the applicant is in compliance with the Act, they continue processing the application. If not in compliance, the applicant is referred to OTR and returns after making payment or establishing a payment plan.

BUSINESS SERVICES DIVISION

that within the business license database there is no screen that requires information about the applicant's compliance with the Act, and application processing can continue without confirming the applicant's compliance with or violation of the Act.

The team also found that as part of the process for walk-in applicants, BLC contact representatives calculate the applicant's license fees, print a bill, and provide this bill to the applicant. The applicant then pays the application fee, payable to the D.C. Treasurer, at a separate cashier's window. The applicant then receives a receipt and submits it to a BLC contact representative as proof of payment. The BLC contact representative enters the payment date into the database; however, the database is not designed to require a unique identifier such as a receipt number for tracking purposes. The team found that potentially any payment date could be entered, and the application process could continue.

While the team was not aware of any instances in which employees operated in this manner, improvements in the application process could be added to provide additional safeguards to the database.

b. Annual audits are not being conducted.

Best practices incorporate periodic audits to reconcile the number of issued licenses with the number of applications in order to detect fraudulent activities quickly. Annual or quarterly auditing would be particularly important in BSD, given the number of licenses issued daily. However, BSD does not conduct periodic audits.

Audits are necessary to ensure that all revenue due to the District is collected and that current procedures minimize opportunities for issuing fraudulent licenses.

c. BSD does not perform a daily reconciliation of licenses issued.

BLC and BLD contact representatives print and issue business licenses for customers who have successfully fulfilled all requirements. BSD issues thousands of licenses during a given year, however, no reconciliation of licenses issued is performed. One method of reconciliation is to compare the number of licenses issued each day with the number of license applications submitted, the amount of blank license stock used, and the amount of revenue collected. Daily reconciliation would provide quality control and aid in discouraging fraud.

d. BSD has no written security procedures for the care and handling of photo identification badges.

Several specific business license categories (such as home improvement salespersons, tour guides, and parking lot attendants) require photo identification badges. Customers who obtain business licenses for these categories by mail must submit two digital photographs and a copy of their driver's or non-driver's identification card (ID) with their application. Customers applying in person can have a digital photo taken in the BLC. All employees in the BLC have access to the digital camera and are authorized to take digital photos for customers who require

BUSINESS SERVICES DIVISION

them. The team found several deficiencies in the security and control of the photo identification badge process:

- There is no listing of the applicant badges that are processed each day.
- Badges are neither tracked by control numbers nor periodically reconciled.
- Blank badges are not kept in a secure location.
- Badges with mistakes or errors are kept in an unlocked drawer until destroyed.
- There is no scheduled destruction plan for badges with mistakes or errors.

Without a badge inventory, the loss or theft of blank badges, as well as those with errors could go undetected for some time. If an inventory was maintained, it could be compared with the number of badges issued each day. Additionally, if there was a list of badges with errors, it would be possible to match a name on the list with a photo identification card and ensure that all cards are accounted for. Program managers acknowledged that there is no specific schedule or procedures for the control, custody, and destruction of those badges.

The lack of sufficient written procedures governing custody of badges and control and reconciliation of the photo identification badge process allows opportunities for the issuance of fraudulent badges.

Recommendations:

- a. That the D/DCRA continually review the business license database to increase internal safeguards and implement changes, as warranted.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

The internal safeguards and changes were implemented in FY 2005 as part of DCRA's upgrade of the Basic Business License database (version 1.8.5).

- b. That the D/DCRA ensure that annual or quarterly audits of the basic business licensing function are conducted.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA recognizes the need to audit the basic business license function, and is currently receiving monthly reports that are being reviewed by the administrator. However, plans are in place to establish an audit process to conduct an internal audit for this licensing function.

- c. That the D/DCRA ensure that BSD performs a daily reconciliation of all the licenses issued, applications received, blank license stock used, and revenue collected.

BUSINESS SERVICES DIVISION

Agree X Disagree

DCRA's Response, as Received:

All blank licenses are stored in a secured area. Blank licenses are issued to the supervisors for distribution, tracking, monitoring and recording.

- d. That the D/DCRA ensure that security procedures for the photo process and custody and destruction of photo identification badges are written and included in the BSD standard operations manual.

Agree X Disagree

DCRA's Response, as Received:

DCRA will develop standard operating procedures as required. It is expected that the new standard operating procedures will be in place by end of FY 2007. In the interim, DCRA stores all badges in a secure area prior to destruction.

5. Business license application documents are not properly filed and stored.

The BSD is required to maintain all original documentation submitted for business license applications and business license renewals. Examples of such documentation include:

- original applications;
- renewal applications;
- renewal bills;
- bonds and insurance certificates;
- Clean Hands Certification; and
- police reports.

DCRA's business licensing filing procedures state:

Files should be located in a centralized area to maintain and control accessibility to all Contact Representatives (CR). Duplicate files should be voided whenever possible. All CRs are assigned to coordinate all activity within the files. Records retention and disposition should be established for each file.

Licensing procedures further state:

Files should only include incoming correspondence, copies of out going correspondence, and any essential supporting documents; and all documents removed from the file must be accounted for. When a document or entire file is removed, use

BUSINESS SERVICES DIVISION

6. Blank license stock is not properly inventoried and controlled.

BLC and BLD maintain a supply of blank license stock used for printing new or renewal licenses. License stock and each license contain the DCRA logo and a serial number for identification purposes. The blank stock is maintained in unlocked cabinets behind the customer service counter.

Best practices followed in similar government operations include complete inventory records for all property and official items, indicating that inventory records include the following:

- serial or identification number sequences;
- date and quantity of inventory received;
- date and quantity of inventory removed; and
- identification of authorized individuals removing and/or accepting inventory.

The team noted that in addition to stock being maintained in unlocked cabinets, there was no system for maintaining inventory control of the blank license documents.

Without an inventory and secure storage of license stock, BLD cannot ensure that all stock can be accounted for. Missing or unaccounted stock could be used to produce fraudulent licenses.

Recommendations:

- a. That the D/DCRA conduct a complete inventory of blank license stock and maintain an official inventory that identifies all license stock activity.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

All licenses are stored in a secured area.

- b. That the D/DCRA develop and implement written policies and procedures for the inventory and control of blank license stock.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA will establish written standard operating procedures and policies for the inventory and control of the blank license stock.

- c. That the D/DCRA take action to securely store all license stock.

BUSINESS SERVICES DIVISION

Agree Disagree

DCRA's Response, as Received:

DCRA has taken the appropriate action and secured all license stock.

7. **DCRA does not adequately document its project to identify businesses operating in the District without renewing their licenses.**

D.C. Code § 47-2851.02 (a) states:

A person which is required under law to obtain a license issued in the form of an endorsement to engage in a business in the District of Columbia shall not engage in such business in the District of Columbia without having first obtained a basic business license and any necessary endorsements in accordance with this subchapter.

In addition, D.C. Code § 47-2851.10 (a) states:

The Department shall send notice of impending license expiration, an application for renewal, and a statement of the applicable renewal fee to each licensee not less than 30 days prior to the expiration date at the address shown on the current license, unless the licensee has notified the Department in writing of an address change, in which case the Department shall notify the licensee at the new address.

Documents indicate that in April 2003, DCRA's Office of Information Systems (OIS) identified approximately 10,000 expired business licenses. This effort focused on license periods between 1999 and April 2003. As a result, the BSD established the Unpaid Business License Project (UBLP) to achieve the following two goals:

1. collect outstanding license renewal fees from businesses operating in the District that were in DCRA's business license database; and
2. establish and maintain an ongoing process for handling business owners who continue operating without renewing business licenses.

According to DCRA documents, the UBLP was to be conducted in two phases. The first phase consisted of notifying business owners by mail of their failure to renew business licenses by the end of the expiration period, and applying the late fee to the charges. A letter to the business owners was prepared and mailed, along with a renewal bill accounting for all of the license periods between April 1999 and April 2003 that the records showed were unpaid. Business owners were given until May 21, 2003, to respond to the letters by paying the required fees and obtaining their licenses, or notifying the agency of the status of their business.

BUSINESS SERVICES DIVISION

The second phase of the project involves conducting field investigations and enforcement actions for those business establishments that failed to respond to the letter, whose letters returned as “undeliverable”, or whose response could not be verified. This phase will involve the Office of Investigations, Weights, and Measures (OIWM), the Neighborhood Stabilization Program (NSP), the Housing Regulation Administration (HRA), and Office of the General Counsel (OGC).

The team requested the following detailed information from BSD senior management to measure DCRA’s success in meeting the goals of the UBLP:

- number of renewal notices mailed and to whom;
- number of responses received and revenue collected; and
- number of field investigations and enforcement actions required.

Although DCRA provided limited information regarding the UBLP (specifically, revenue collected), agency officials were unable to provide documentation detailing the number of businesses that failed to respond to the notices and investigation and enforcement actions required. Senior DCRA officials failed to respond to repeated requests for additional documentation or interviews. When outstanding renewal fees are not collected, this represents a loss of revenue to the District and allows businesses to operate illegally.

Recommendations:

- a. That the D/DCRA ensure that BPLA provides an up-to-date, documented status report on the UBLP to senior DCRA management.

Agree _____ **X** _____ Disagree _____

DCRA’s Response, as Received:

DCRA has established a project that provides documented status report of the unpaid business licenses. This report is provided to the Deputy Director for Licensing and Permits and the Program Administrator on a monthly basis.

- b. That the D/DCRA evaluate the needs of the UBLP and take steps to improve its efficiency and effectiveness.

Agree _____ **X** _____ Disagree _____

DCRA’s Response, as Received:

DCRA currently provides a list of the unpaid business licenses to the appropriate investigative and inspection divisions for action. Monthly reports are provided to the business license division for monitoring and tracking license status.

BUSINESS SERVICES DIVISION

8. **BPLA does not update and maintain the Basic Business License database as required by BSD procedures.**

According to the Business Service Division (BSD) license processing procedures:

1. **Upon receipt of the completed Unpaid Summary Forms from the [Neighborhood Stabilization Program] NSP or [Office of Investigations, Weights, and Measures] OIWM, the BPLA Administrator or his/her designee will assign the reports to designated BPLA staff to update the database.**
2. **Based on the “Customer Status” contained on the Unpaid Summary Report, staff will update the database as described in the “Definitions and Policies for Customer Status and Payment Status Codes”[.]**
3. **When completed, each Unpaid Project Summary Report is to be signed by the BPLA staff member assigned to update the record.**
4. **The completed reports are forwarded to the Supervisor or Manager for review and filing[.] (These reports should be maintained for a period of 6 months before discarding.)**

Although BSD managers indicated that they routinely update the Basic Business License database, they also acknowledged that they had deviated from the procedures requiring the use and maintenance of project summary reports.²⁰ The project summary reports (as described in the license processing procedures) were to provide management with a tool for obtaining the current status of the BBL database. BSD management indicated that they have made significant progress in cleaning up the database, yet numerous verbal and written requests from the team for documentation supporting this assertion were never fulfilled. Consequently, the team was unable to determine if the database is being updated as required.

Updating and maintaining business license records are essential to collect fees and ensure a historical account of business activity. The proper use and management of the Basic Business License database is essential to ensuring the credibility of the agency’s licensing and revenue collection activities, which include the collection of business license fees.

Recommendation:

That the D/DCRA ensure that the Program Manager of the Business License Division implement the policies and procedures already in existence for updating the Basic Business License database and for maintaining project summary reports, or that the Program Manager document the new policies and procedures, including the use of any new management reporting tool.

²⁰ While no Unpaid Summary Forms or Reports are maintained, there is a comment field in the Basic Business License database for notations regarding updates.

BUSINESS SERVICES DIVISION

Agree Disagree

DCRA’s Response, as Received:

DCRA has policies and procedures in place and is currently updating those policies and procedures to improve the licensing process.

9. The administrative separation of Business Service Division operations may be inefficient and may unnecessarily duplicate licensing efforts.

The daily functions of the Business Licensing Division (BLD) and Business Licensing Center (BLC) are similar in that both units issue new and renewal licenses and share information and application files. The major difference in operations is that BLC primarily processes new and renewal licenses for “walk-in” customers, and BLD provides these services for customers that “mail in” their applications. Although BLD provides a few additional services (such as certifications of licensure status for out-of-state customers), both units operate similarly, but under two separate managers. Efficient and effective program functioning is achieved through the elimination of duplicative services, research activity, and processing time. Operational proficiency also improves with a clear chain-of-command.

The team found processing delays and miscommunication in serving DCRA customers due to differing interpretations of licensing policies, procedures, and regulations between the two units. The team also found that the current organizational structure prevents both managers from taking advantage of “downtimes” that periodically occur in each unit. The team noted on at least one occasion that the BLD unit appeared under pressure to meet licensing deadlines, while BLC employees, who were less busy, were willing and able to handle additional tasks. The current reporting structure and lines of authority do not allow either manager to reassign staff to BLD or BLC, in order to address immediate staffing shortages during peak processing periods.

Recommendation:

That the D/DCRA conduct an analysis of the administrative and program functions of the BLC and BLD and consider uniting them under a single manager.

Agree Disagree

DCRA’s Response, as Received:

DCRA plans to incorporate the two centers with one manager and will take place in FY 2007.

**Findings and
Recommendations:**

**OFFICE FOR DISABILITY
AFFAIRS**

OFFICE FOR DISABILITY AFFAIRS

The Americans with Disabilities Act of 1990 (ADA), Public Law No. 101-336, was enacted on July 26, 1990. The purpose of the ADA is to provide equal access to disabled persons in the areas of employment, public housing, public transportation, private establishments used by the general public, and telecommunications. The act prohibits discrimination based on disability in the areas of: employment;²¹ state and local government services, programs, and activities;²² public accommodations,²³ transportation, and telecommunications.²⁴

During the time frame of this inspection, DCRA was designated through Mayor's Order 94-138 as the coordinating agency to enforce compliance with the ADA in the District of Columbia. DCRA's Office for Disability Affairs, located in the Business Professional and Licensing Administration, provided technical assistance and training to business and government entities, investigated complaints, and acted as the official consultant on all matters pertaining to the ADA.

The inspection team identified several issues in DCRA's Office for Disability Affairs that warranted immediate attention by the agency, and a Management Alert Report (MAR 05-I-003 at Appendix 3) addressing these issues was sent to the D/DCRA on June 3, 2005. D/DCRA did not respond to the MAR, despite requesting and being granted an extension to do so (Appendix 4.)

The issues in the Office for Disability Affairs identified by the inspection team were eventually overtaken by events. Through Mayor's Order 2006-58, effective May 23, 2006, the Office of Risk Management replaced DCRA as the coordinating agency for ADA compliance in the District of Columbia. Since the Office of Risk Management is now responsible for coordinating and enforcing compliance with the ADA in the District of Columbia, the inspection team has no additional findings or recommendations with respect to the Office for Disability Affairs.

²¹ Title I of the ADA prohibits discrimination against qualified individuals with a disability in job application procedures, hiring, advancement or discharge of employees, employee compensation, job training, and other terms, conditions, and privileges of employment.

²² Title II of the ADA prohibits state and local governments from discrimination on the basis of disability in government-sponsored activities, programs, benefits, and services.

²³ Title III prohibits private entities, that own, lease, lease to, or operate a place of public accommodation, from discriminating against individuals with disabilities. Private entities such as restaurants, hotels, and retail stores may not discriminate against individuals with disabilities. Auxiliary aids and services must be provided to individuals with disabilities unless an undue burden would result.

²⁴ Title IV requires that telephone service to the general public provide relay services to individuals who use telecommunication devices for the deaf or similar devices for people with hearing impairments.

**Findings and
Recommendations:**

**CORPORATIONS
DIVISION**

CORPORATIONS DIVISION

The District of Columbia requires the following types of organizations to register and certify their business:

- General Partnership;
- Limited Partnership;
- Limited Liability Partnership;
- S Corporation;
- C Corporation;
- Not for Profit Corporation;
- Cooperative Association;
- Limited Liability Company (LLC); and
- Sole Proprietorship.

The Corporations Division (CD) of the Business and Professional Licensing Administration (BPLA) is responsible for registering organizations requiring certification to operate in the District. The CD also provides interpretations of applicable laws, regulations, procedures, and policies governing certification, and provides a Customer Service Center (CSC) for walk-in customers to register an organization and obtain certification.

The CD has established an Internet website to allow public access to business registration information and to allow downloads of instructions and registration forms. The CD will continue to develop an on-line registration process that will include implementation of a complete interactive database for on-line report and corporation filings, certificate applications, and payment processing. Unfortunately, the CD could not provide a target completion date due to budget constraints.

The CD currently uses the following three electronic tracking systems to conduct business:

- Corporate Tracking System (CTS) is a corporation registration data system used to input information on general partnerships, limited liability companies, businesses, non-profit organizations, and professional corporations;
- FilNet System assesses documents scanned or imaged by DCRA's Scan Unit for use in the registration process; and
- Quomatic System is a number tracking system for walk-in customers that counts the number of customers waiting for service.

The CD has 1 program manager and 10 paralegal specialists. According to DCRA, there are 68,617 active registered and certified organizations in the District, and the Division generated \$9,106,535 in corporation registrations and certification fees during FY 2005.

CORPORATIONS DIVISION

10. The Corporations Division Corporate Tracking System is inadequate.

The Corporations Division's paralegal specialists (specialists) are responsible for processing registration applications, and ensuring that accurate, biennial compliance reports²⁵ for all domestic and foreign corporations are filed. In addition, specialists are responsible for generating a substantial amount of daily correspondence to various organizations.

The team found that CTS only generates statistics for completed applications, but cannot produce statistics for pending applications. In addition, it cannot identify which specialist inputs or processes information into the system. Specialists spend an inordinate amount of time re-creating standardized documents and forms because the tracking system does not allow editing of these documents. The Division Program Manager indicated that the primary system deficiencies are caused by a lack of software enhancements or upgrades.

The inadequate tracking system has resulted in the inability to produce information regarding the number of applications pending or denied, and to track employee productivity or errors. Due to the lack of technical support required to modify existing standardized letters in the tracking system, registration and certification processing time is significantly increased because specialists are required to recreate and amend standardized letters for daily use.

Recommendation:

That the D/DCRA ensure that the Corporations Division can upgrade and maintain its automated systems, and will have the capability to track employee input, modify standard documents, and generate statistics for pending and completed applications.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA agrees with the recommendation and has done the following:

- *DCRA is currently working with the Office of Information Systems to develop a statement of work (SOW) to select the best vendor to implement a Corporations Database Project-state of the art system for online customer interactivity. This project has been included in the FY 07 budget submission.*
- *Current enhancements to the existing systems include: the ability to generate reports utilizing corporate tracking and Q-matic systems, which reflect walk-in customer activity, coupled with manual interventions on the pending documents, completed work and employee productivity.*

²⁵ Biennial compliance report – a mandatory 2-year report that keeps the public abreast of the current slate of officers and directors of corporations.

CORPORATIONS DIVISION

- *DCRA has created a standard template/form for specialists to assist with expediting correspondence documents in lieu of the revised and edited standardized forms referenced in the report.*

We believe that the development and implementation of a state of the art Corporations Database will replace manual processes and improve workload efficiency.

11. The Corporations Division lacks adequate customer service staffing and administrative support to manage the current workload.

The Division needs customer service and administrative personnel to help specialists effectively manage the Division's high telephone and customer service requests. The specialists are required to assist customers in the customer service center (CSC), process business registrations, prepare correspondence, provide assistance with new on-line services, answer telephones and provide information regarding corporate and limited partnership laws and regulation.

The Corporations Division currently has 10 specialists and 1 Program Manager, but the Division has no administrative support or customer service staff. As a result, the Program Manager requires all specialists to rotate in the CSC three times a week. Consequently, specialists whose grades range from DS-11 to DS-13 are required to answer telephones, process bulk-mailings of over 15,000 letters, and provide customer service support rather than performing the duties as stated in their position description.

Due to insufficient administrative support, the Division cannot manage all its responsibilities and work tasks often become delayed as a result. Mail processing is often hindered because of telephone and customer service requests.

Recommendation:

That the D/DCRA provide the Corporations Division with adequate administrative and customer service staff to support its mission.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

Corporations Division has increased its staffing as follows: two FTEs (program support specialist and a contact representative) and two contract employees, who also provide administrative support such as answer the telephones, mail processing and assist with the elimination backlog processing requests.

In addition, DCRA recently created a Supervisory Paralegal Specialist to manage the staff and workflow. The agency has also created a Customer Service Unit that will handle initial routing of calls and a myriad of other issues for the agency and division.

CORPORATIONS DIVISION

12. The Corporations Division telephone service is unreliable.

The Division conducts business by telephone with a large number of corporations licensed in the District. Employees need reliable telephone service that includes voicemail and long-distance access.

The team found that telephone malfunctions in the Division are not resolved in a timely manner, the Division is often without telephone service (including long distance service), and voice mail messages are not retrievable. Repair requests submitted to DC-Net remain unresolved and overdue.

Without adequate telephone service, the employees are often unable to communicate with corporations licensed through the Division. In addition, the lack of immediate access to voice mail messages and/or incorrect voices on voice mails delays registrations, certifications, and contact with specialists. Insufficient telephone lines have required specialists to use their personal cellular phone without compensation.

Recommendation:

That the D/DCRA conduct a survey of the Division's telephone problems and take steps to resolve problems as soon as possible.

Agree Disagree

DCRA's Response, as Received:

DCRA agrees with the recommendation and has made the necessary changes to eliminate the telecommunication problems previously experienced within the Corporations Division.

Most of the problems occurred during the transition the District of Columbia had when they switched from Verizon to DCNet telephone services. Division telephones are currently functioning properly and voice mail boxes are capturing all customer messages. Long-distance telephone service is available to every employee to contact customers living in different states.

Each employee has direct telephone accessibility. The current telephone system accommodates the number of phone calls that the Division receives on daily basis. The Division's main voice mail box receives all calls made after normal operating hours.

**Findings and
Recommendations:**

**OCCUPATIONAL AND
PROFESSIONAL
LICENSING DIVISION**

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

The Occupational and Professional Licensing Division (OPLD) is responsible for supporting the professional licensing and regulation boards for approximately 127 occupations and professional licensing categories. As of June 28, 2005, the boards, whose members are appointed by the Mayor, govern the practice of 37,064 professionals. OPLD staff consists of one applications manager, two program managers, and five contact representatives to provide this support.

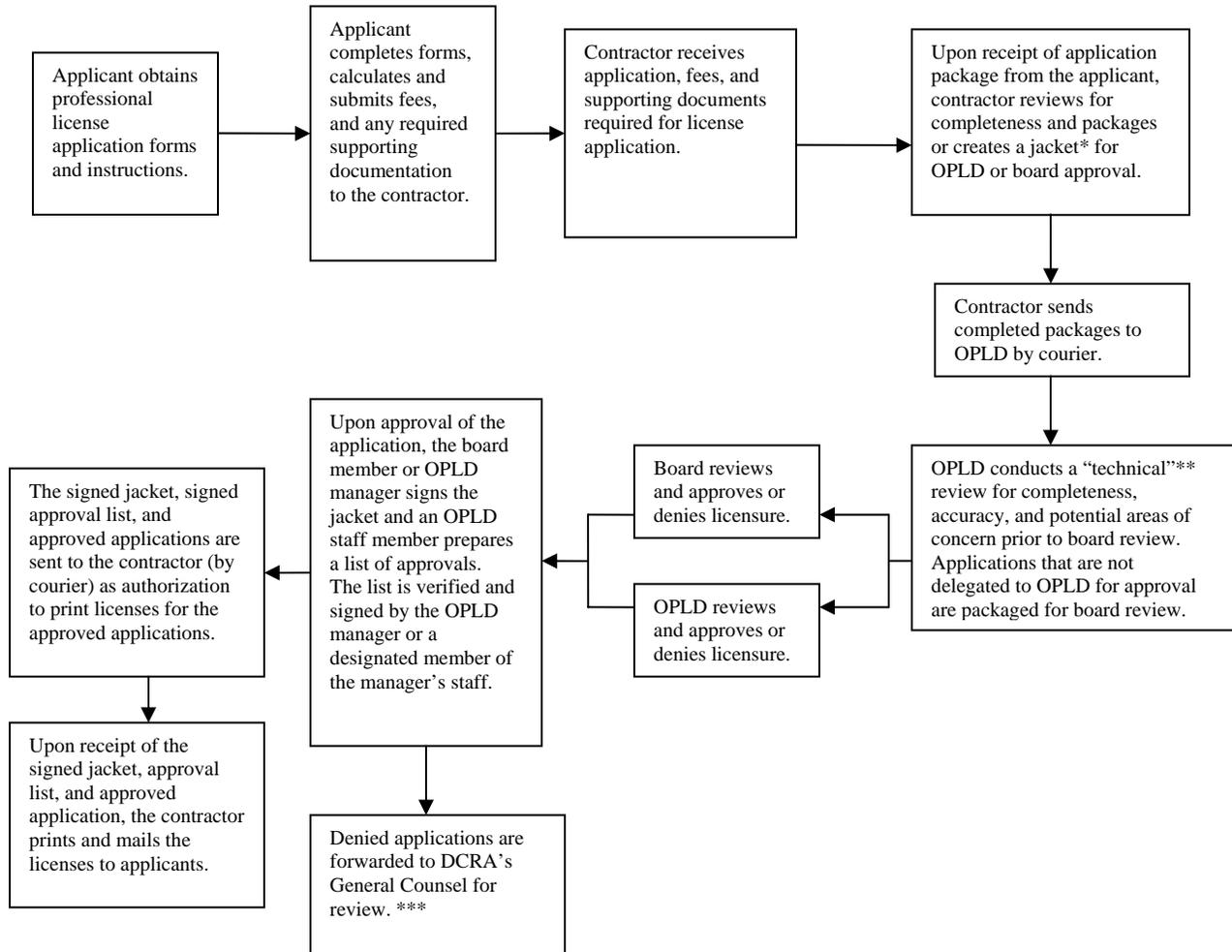
OPLD uses an outside vendor to manage the license application and records management functions for the boards.²⁶ The vendor is responsible for providing computer hardware, software, personnel, and procedures to perform the following basic licensing functions:

- processing initial and renewal license applications;
- printing and mailing initial, renewal, and re-instated licenses;
- providing applicants with web-based application templates;
- banking and tracking continuing education credits;
- processing suspended, revoked, or terminated licenses;
- processing name and address changes;
- processing and mailing letters of verification and certification; and
- developing and printing application forms and packages, and mailing packages to applicants upon request.

OPLD's occupational and professional licensing program is funded primarily by license fees, and by general funds. The flow chart on the following page details the licensing process.

²⁶ This vendor and its operations are located in Landover, Maryland.

**APPLICATION REVIEW AND APPROVAL PROCESS
FOR NON-MEDICAL PROFESSIONALS**



* A “jacket” is the term used by the contractor to refer to an application package that contains all required licensing documentation, including the application, any required reference letters, examination scores, transcripts, and/or photographs.

** A technical review is an in-depth analysis of the application and supporting documentation. OPLD employees review the supporting documentation, including transcripts for required course hours, course content, letters of reference, required certifications, and allowable work experience.

*** Upon denial of an application, OPLD staff must provide DCRA’s General Counsel with a regulatory or code citation supporting the denial, and the applicant must be notified of the board or Division’s decision. The applicant then has 15 days in which to appeal that decision and arrange for a hearing.

13. The Occupational and Professional Licensing Division does not securely store vital records and lacks adequate storage space.

D. C. Code § 47-2853.10 (a)(7)(2001) states, in part, that the Mayor shall be responsible for:

[m]aintaining central files of records pertaining to licensure, certification, registration, inspections, investigations, and other matters as requested by the boards[.]

Record storage of vital information should be maintained in a secure location. These records should also be readily available to provide District stakeholders and authorized personnel in surrounding jurisdictions with information regarding individual licensure status, complaints, or investigations.

To assess OPLD's compliance with D.C. Code § 47-2853.10 (7), the team attempted to review licensure records for 300 files of licenses issued to determine if this sample included supporting application documentation validating the authenticity of the licenses issued.²⁸ However, the team found OPLD licensure records in such disarray that it was unable to complete the review. For example, the board's files were intermixed and were not filed by date, in alphabetic order, or by license number (See Appendix 5). In addition, the team found that:

- some records were not located at DCRA, but at the vendor's location;
- although the vendor has been required to scan all documents to a computer disk since January 2003, DCRA was unable to locate the disks on the day of the review;
- the record file and storage area was accessible to all DCRA employees, regardless of authorization; and
- OPLD lacked adequate storage space for all necessary records.

OPLD management acknowledged difficulties with the filing and retrieval of records, and indicated that they had requested scanning of all licensee records to both improve organization and record retrieval, and to reduce the need for additional file storage space. However, management indicated that due to other agency scanning priorities, this project has never been initiated.

The limited filing and retrieval system hampers OPLD's ability to provide records to the various boards for review as required by the D.C. Code. In addition, due to the lack of supporting application records, OPLD cannot determine if illegal licenses have been issued, nor can it provide timely customer service, including certification research.

Recommendation:

²⁸ Information contained in these records includes, but is not limited to, licensure status, date of licensure, education credentials, examination scores, social security numbers, applicant addresses, and applicant reference letters. This sample contained licenses issued in FY 2004 and FY 2005.

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

found that those who falsely deny the existence of a legitimate debt are not detected through this process.

OPLD management stated that the OPLD licensing system depends upon truthful responses of applicants. The team found that although BPLA's Business Service Division reviews the Office of Tax and Revenue Clean Hands Database²⁹ for outstanding taxes owed to the District, OPLD does not. The team found that OPLD does not verify or check with other agencies to determine an applicant's debt status prior to issuing a license. Currently, the only action OPLD undertakes is checking for a signature on the self-certification form. OPLD management stated that violations of the Act are general when reported by another agency. Management further stated that upon confirmation of a violation of the Act, OPLD may take action to fine, suspend, or revoke the violator's license.

The inability to identify and prevent debtor-applicants from becoming licensed professionals operating in the District negatively impacts the District's revenue collection efforts.

Recommendation:

That D/DCRA coordinate with Office of Tax and Revenue, the Department of Public Works, the Department of Motor Vehicles, and the District of Columbia Water and Sewer Authority to develop a plan to determine the debt status of an applicant prior to issuing a license.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

DCRA currently complies with OTR Clean Hands Self-Certification through OPLD application process.

15. OPLD oversight of the occupational and professional licensing contract has been inadequate.

OPLD's Contracting Officer's Technical Representative (COTR) for the occupational and professional licensing contract is responsible for all matters relating to the contractor's performance. The COTR plays a vital role in ensuring that the District receives the services for which payment has been made.

Although unable to make changes to the contract, the COTR performs as the functional manager responsible for relaying any information that may affect contractual commitments and requirements to the Office of Contracting and Procurement (OCP) Contracting Officer (CO).³⁰

²⁹ This database contains only outstanding taxes owed to the District. On June 21, 2005, OPLD officials stated that OTR was upgrading this database to include civil infractions adjudicated from the Office of Administrative Hearings and the Department of Motor Vehicles. The update was not complete as of this writing.

³⁰ The Contracting Officer shall be responsible for any contractual actions including those affecting modifications of the terms and conditions of the contract, issuance of preliminary termination notices (show cause letters or cure

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

a. OPLD's COTR has not been sufficiently monitoring the licensing contract.

OCP's COTR Training Program manual states that the COTR's duties shall include the development of a contract administration plan, monitoring of the contractor's performance, and establishment of a quality assurance plan. To adequately carry out his/her duties, the COTR should make pre-planned site visits to the contractor, validate complaints, and perform random unscheduled inspections of the contractor's operations and conduct customer surveys. The COTR should also provide written status reports regarding the contractor's performance, and identify any need for a meeting between the contractor and the CO (e.g., to obtain approval for contract modifications, including scheduled delays for products or services).

The team found that the COTR for the licensing contract did not have adequate COTR training and had not established a written contract administration plan to consistently monitor and review the contractor's performance. Although the COTR conducts monthly meetings with the contractor, these meetings are not to evaluate the contractor's performance, but to identify any processing or system problems the contractor has discovered, and to obtain approval for planned problem resolution.

The team also found that although the contractor provides the COTR with monthly production reports, OPLD does not ensure that the submitted reports are accurate. During the 6 years that the contractor has performed as OPLD's licensing agent, OPLD has not conducted an independent financial or procedural audit conducted of the contractor's operations. In addition, the team found that the COTR had not conducted pre-planned or random, unscheduled inspections of the licensing process at the contractor's facilities.

b. There is no collaboration between the COTR and CO because no CO is assigned to the licensing contract.

The COTR and CO must collaborate to ensure that the contractor is providing all services described in the contract. The CO is also responsible for initiating any contractual actions that affect modifications to the terms of the contract.

The team found that during FY 2004 there was only limited collaboration between the COTR and CO because the CO retired 6 months into the fiscal year and was not replaced.

The lack of a CO severely hampered the team's efforts to obtain timely and relevant information regarding the specifics of this contract. Specifically, it was difficult to obtain any written technical modifications or changes to deliverables associated with this contract. In addition, the lack of a CO and corresponding collaboration with the COTR deprived District stakeholders of assurances that this contract was being effectively monitored by DCRA and OCP.

notices), or actions to terminate the contract. See Contact No. POCR-2004.C-0001, Section J-5 at 13. *District of Columbia Government Office of Contracting and Procurement, The Contracting Officer's Technical Representative Training Program.*

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

- c. *The COTR does not conduct adequate year-end evaluations of the licensing contractor's performance.*

OCP policies and procedures require that an independent evaluation of contractor performance be performed at the end of each contract year. The team found that the COTR did not perform this independent evaluation. Instead, the contractor conducted its own evaluation and submitted the results to OPLD in a year-end summary report. The COTR used the summary report to complete the required year-end evaluation.

The team found that due to inconsistent monitoring and oversight by the COTR and OCP, and the lack of an independent, year-end evaluation, District stakeholders cannot be assured that the contractor is providing all the goods and services required by the terms of the contract, or that the quality of services provided meets negotiated standards.

Recommendations:

- a. That the D/DCRA work with OCP to ensure proper oversight is provided for the licensing contract.

Agree Disagree _____

DCRA's Response, as Received:

DCRA agrees with the finding. OPLA has instituted contract monitoring by the contracting officer technical representative, who receives monthly reports (OPLA Performance Summary Report) by board of licenses issued by the contractor.

- b. That the D/DCRA ensure that the COTR conducts an independent, year-end evaluation of the contract at the end of the contract period.

Agree Disagree _____

DCRA's Response, as Received:

The COTR currently conducts an independent year-end evaluation of the contract and submits it to OCP as required.

- c. That the D/DCRA ensures that the COTR has the requisite training for managing the licensing contract.

Agree Disagree _____

DCRA's Response, as Received:

COTR has received the requisite federal and District Government training provided by the DC Office of Contracts and Procurement.

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

found that other security policies and procedures were verbal, making consistent performance dependent upon individual employee interpretation. Due to the lack of a comprehensive policies and procedures manual, and both DCRA's and the contractors inability to provide a comprehensive explanation of established security measures designed to reduce the risk of issuing fraudulent licenses, the team was unable to assess the effectiveness of all procedures.

b. Annual audits are not conducted.

Best practices suggest that for timely detection of fraudulent activities, audits should be conducted that reconcile licenses issued with applications submitted. Auditing is particularly important to DCRA in light of the past issuance of fraudulent licenses. The team found that neither DCRA nor the contractor have conducted an audit since fiscal year 2000. The lack of an annual audit prevents DCRA from identifying licenses issued fraudulently during the past fiscal year.

c. License stock is not properly inventoried and controlled.

The contractor maintains a supply of blank license stock that is used for printing official licenses once the application and approval process is completed. Blank license stock is maintained in a storeroom to which only key contractor personnel have access.

Best practices regarding sound internal controls suggest that current and complete inventory records be maintained for all property and official items. At a minimum, inventory records should include the following:

- serial or identification number sequences on each blank license;
- date and quantity of inventory received;
- date and quantity of inventory removed; and
- identification of authorized individuals removing and/or accepting inventory.

The team noted that although license stock is maintained in a locked storeroom with restricted access, there were no serial numbers on blank licenses, and there were no written official records kept for the inventory of license stock. Without an official written inventory, license stock cannot be accounted for. Missing or damaged license stock could be used to produce fraudulent licenses.

d. The contractor does not comply with its own written security procedures.

The team reviewed the contractor's written security procedures, including those developed as a result of its internal investigation, and found that the contractor has not complied with all policies and procedures. Specifically, the team documented non-compliance with the following security procedures:

- The contractor does not maintain a binder of licenses printed daily. Maintaining a binder is a security measure implemented to account for the number of license

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

prints produced and mailed on a daily basis, and for use as a reconciliation and tracking device for the contracting staff.

- The contractor does not consistently require the receipt of a signed jacket (an envelope containing the approved applications and all supporting documentation) and a signed approval list from DCRA licensing boards or staff as authorization to print licenses. The contractor informed the team that OPLD must provide written approval of licensure in order to authorize the printing of licenses. The contractor also stated that DCRA provides them with a jacket and a computer generated approval list prior to the printing of licenses. The contractor stated that this jacket and approval list must be signed by OPLD officials before the contractor prints licenses. The team found that on several occasions the jacket was neither signed nor transmitted to the contractor, yet licenses had been printed and prepared for mailing.

e. Some written and verbal operational and security procedures may be ineffective and may lead to collusion.

The team found that although the contractor has implemented a number of procedures designed to enhance security, an analysis of these policies shows that they are not being used effectively, and may promote opportunities for issuing fraudulent licenses. For example, the team found that the contractor does not verify the signatures found on the “jacket” and the approval list, and the contractor has no system to verify the “authenticity” of signatures affixed to approval jackets and approval lists submitted by OPLD. The contractor’s employees admitted that they do not recognize the signatures of all board members or OPLD officials authorized to approve licensure, or the signatures of all OPLD staff members authorized to sign the approval list. Employees stated that they only check to see if a signature or initials are present on the jacket.

f. Licenses prepared for photo scanning are left in an unsecured location.

The team found that although the contractor had developed written procedures for securing the printer and the printer area, there were no security procedures for the photo scan area. This area is a small room where a single employee scans photographs submitted with applications.

Although the photo scan room has a door that can be locked, the team noted that it was unlocked, and the contractor’s employees stated that the door usually remains unlocked. The team observed documents in plain view in the unattended room, providing opportunities for unauthorized persons to change or remove photographs.

g. There are no written policies and procedures that authorize single license prints.

Single license prints are licenses printed as an exception to the contractor’s normal overnight printing process. The team found that the contractor’s senior, supervisory staff determines on a case-by-case basis which single license request to honor. These individuals

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

have the discretion and system override capability to print exception requests as they deem appropriate. Senior supervisors indicated that license print exceptions are most often produced at the request of OPLD management, or to appease an irate applicant.

The team found that not only were the controls and records for this function insufficient, but that there were also no written policies and procedures. The team found that once the supervisor decides to grant an exception to the requestor, the verification and supporting documentation for this action is the inclusion of the incident in the "extended notes" portion of the Agency Records Management System (ARMS), by the same authorizing supervisor. The only check beyond the extended notes is a verbal discussion between the two senior supervisors. When OPLD management requests an exception license print, the supervisors follow the same procedure, but also request follow-up email verification from OPLD. The team found, however, that there was limited tracking documentation for this activity.

The lack of written policies and procedures, coupled with the lack of oversight for the authorization and verification for this function could encourage collusion among the staff, the contractor staff, and the requestor, and lead to the issuance of fraudulent licenses. In addition, the lack of routine audits and written operational and security policies and procedures, coupled with a failure to ensure compliance with existing policies and procedures, do not provide the effective management and oversight needed to minimize the risk of issuing fraudulent licenses.

Recommendations:

- a. That the D/DCRA collaborate with the contractor to draft a manual for security policies and procedures and ensure that it is properly distributed.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

During FY 2007, OPLD will work with the vendor to include the security procedures in a manual for security policies and procedures and ensure that it is properly distributed.

- b. That the D/DCRA initiate periodic audits of the contractor's licensing operation.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

OPLA instituted contract monitoring by the contracting officer technical representative, who receives monthly reports (OPLA Performance Summary Report) by board of licenses issued by the contractor.

- c. That the D/DCRA and the contractor conduct an inventory of license stock, generate and maintain an official inventory log that identifies all license stock activity, and implement imprinting serial numbers on all license stock.

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

Agree Disagree

DCRA's Response, as Received:

In FY 2007, OPLD will receive new license stock with identified sequential, auditable license numbers. The contractor will provide reports which identify and explain any variance from the sequential license numbers.

- d. That the D/DCRA conduct a review of the contractor's security procedures to ensure compliance.

Agree Disagree

DCRA's Response, as Received:

During FY 2007, OPLD will review the security procedures manual for security policies and procedures and ensure compliance.

- e. That the D/DCRA evaluate, document, and monitor all verbal operational and security procedures.

Agree Disagree

DCRA's Response, as Received:

All operational and security procedures are written and are being monitored.

- f. That the D/DCRA establish a system to ensure that the contractor secures the photo scan area from unauthorized personnel at all times.

Agree Disagree

DCRA's Response, as Received:

The contractor has established a system to ensure that photo scans area is used only by authorized personnel at all times. During FY 2007, OPLD will work with the contractor to gain remote access into the system.

17. OPLD does not receive all services from the licensing contractor as stipulated in the contract.

Title 27 DCMR § 2300.1 states: "[t]he time of delivery or performance is an essential contract element and shall be clearly stated in each solicitation."

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

In addition, the contractor's Scope of Work (SOW) states that: "[s]ervices . . . shall be planned, scheduled and completed on a mutually agreed timetable . . . [and] the timetable for each of the identified requirements will be determined within the first 90 days of the contract and will be presented to OPLD staff for approval."

OPLD has outsourced its professional licensing functions to the same vendor since January 7, 1999. The team reviewed the contract for January 2004 to January 2005 and found that:

- the contract does not detail specific timetables for contract requirements; and
- many services have not been provided.

The team tried to determine if the current contract requirements were "hold-overs" from the initial 1999 contract, but was unable to obtain the contracts from OCP for prior years. OCP officials stated that the CO for this contract retired during FY 2004, and they could not locate the previous contracts. In addition, these officials had little institutional knowledge regarding this contract.

The team found that as of May 2005, the contractor had not fulfilled the following requirements:

- to provide a system for tracking continuing education credits and to perform compliance evaluation;
- to provide on-line access to continuing education information to providers and licensees;
- to provide a user-friendly Continuing Education (CE) system unique to Real Estate and other boards;
- to provide a web page with photos and biographies of Commissioners and Board Members for each board;
- to provide on-line renewal capabilities for all applicants;
- to provide an automated new license processing program for each board as a security measure with restricted override as a security measure; and
- to provide an investigative tracking system of each license application processed.

The team found that OPLD and OCP failed to provide adequate monitoring and oversight of this contract because many requirements had not been satisfied and neither DCRA nor the contractor had any plans for developing a timetable for their fulfillment. Current and prospective licensees and District stakeholders should be assured that services and products contracted and paid for, will be delivered. Many of the online capabilities that the contractor was to provide are routine services readily available in neighboring jurisdictions, and should be readily available to professionals obtaining licenses in the District.

Recommendations:

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

- a. That the D/DCRA and OCP review this contract and ensure a contract requirements timetable is established and that services are provided before the end of the contract period.

Agree Disagree

DCRA's Response, as Received:

All the services are being provided by the contractor with the exception of the webpage with the photos and biographies. During FY 2007, OPLD will write biographies and secure approval from the boards to post pictures on the website.

- b. That the D/DCRA and OCP ensure that contract requirements timetables are clearly defined and adhered to for any new contract.

Agree Disagree

DCRA's Response, as Received:

In FY 2007, OPLD is scheduled to issue an RFP for these activities and will ensure that contract requirements and timetables are clearly defined and OPLD will manage to those timetables.

18. OPLD lacks a comprehensive system to track and document the resolution of written or telephone complaints and inquiries.

The team found that OPLD and the contractor providing licensing services receive a large volume of telephone inquiries and written complaints each year. Best practices suggest that in order to provide high levels of customer service, agencies should consider developing systems for tracking and documenting all customer calls and written complaints. This tracking system should include the following:

- date of telephone call, written, or walk-in inquiry;
- type of inquiry, issue, or complaint;
- type of action required;
- person(s) to whom the complaint is referred and date of the referral; and
- documentation of resolution.

The team found that neither OPLD nor the contractor have a comprehensive system for tracking and documenting the resolution of all written and telephone complaints and inquiries relating to occupational and professional licensing. Although the contractor tracks the number of telephone inquiries received during the year, it does not document the type of inquiry, the caller's name, and issue resolution.³¹ This tracking system only captures the number of

³¹ The contractor indicated that in FY 2004, it received 34,346 telephone calls regarding professional licensing issues.

OCCUPATIONAL AND PROFESSIONAL LICENSING DIVISION

telephone calls received and the number answered within the prescribed 2 minutes or less, as established by the contractor.

OPLD stated that it has not established a centralized call, written inquiry, and complaint documentation system due to the lack of staffing and an inadequate computer tracking system.

The lack of a comprehensive tracking system prevents OPLD management from properly identifying and addressing reported licensing issues and problems, and provides no assurance to District stakeholders that inquiries, problems, and complaints are being resolved in a timely manner.

Recommendation:

That the D/DCRA coordinate with the licensing contractor to develop and implement an effective complaint and resolution tracking system.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

Contractor has instituted a system that tracks and documents the resolution of written or telephone complaints and provides reports to OPLD.

**Findings and
Recommendations:**

**PROFESSIONAL
LICENSING AND
REGULATORY BOARDS**

PROFESSIONAL LICENSING DIVISION AND REGULATORY BOARDS

OPLD supports the operations of 17 boards, which oversee the regulation and licensing of 127 non-medical occupational and professional categories. The members of each board are appointed by the Mayor, with the consent of the Council, and are responsible for:

- monitoring the standards for the professions and occupations under the board's authority and recommending to the Mayor changes in existing standards when such changes are necessary;
- reviewing qualifications of candidates for licensing, certification, registration, or renewal, and hearing and deciding protests from candidates who are denied a license or certification;
- investigating complaints and determining appropriate disciplinary action against licensed professionals; and
- monitoring the issuance of licenses and certifications by the Mayor to make sure that the qualification standards established by the boards are followed.

These boards have oversight responsibility for approximately 37,000 licensed professionals operating in the District. Board members are not compensated for their duties.

19. Professional Licensing Boards do not have written procedures or documentation delegating board approval authority.

D.C. Code § 47-2853.08(1)(2001) states that boards shall have the power to:

Determine the scope of practice, the requirements which an applicant must meet for initial licensure, certification or registration and for renewal of the same, including any continuing education requirements, and shall determine the appropriate level of regulation for every occupation under the authority of the board[.]

In addition, D.C. Code § 47-2853.08(1)(B)(2001) states that:

Each board shall be responsible for continually monitoring the standards for the professions and occupations under its authority and for recommending to the Mayor changes in existing standards when such changes are necessary or desirable[.]

So that boards can carry out the above responsibilities, D.C. Code § 47-2853.08(10)(2001) states that boards shall have the power to:

Monitor the issuance of licenses and certifications by persons authorized to do so by the Mayor to make sure that the

qualification standards established by the board are being adhered to, and shall recommend to the Mayor the disciplining or removal of any official issuing licenses not in accordance with those standards.

- a. OPLD approves licensure applications without the written delegation of authority from some boards.*

The licensing boards are required to review and approve all applicants for licensure. They may, however, delegate this review and approval authority to DCRA. Expedious application processing and efficient operations are two reasons cited by the boards and OPLD for delegating approval authority. This delegation, however, should be formally approved in writing by the boards to ensure that persons with delegated responsibility for monitoring and approval authority have thorough knowledge of established licensing qualification standards.

The team found that no written procedures exist for delegating approval authority by the boards to OPLD, and neither the boards nor OPLD could provide the team with board minutes approving such delegation of authority. The OPLD program manager stated that “authority to approve applications for some boards has been standard operating practice for over 30 years and a review of board records covering that span would have to be conducted to locate meeting minutes that memorialized the boards’ decisions to delegate the approval responsibility.”

Several board members expressed their desire to review all incoming applications under their jurisdiction for two reasons: (1) it is their responsibility to exercise oversight for professionals under their purview; and (2) without carrying out the review and approval process, they cannot guarantee that only qualified applicants are being licensed.

- b. All licensing boards are not routinely provided with a list of approved licensees and corresponding application packages.*

Although boards may delegate approval authority, they are ultimately responsible for monitoring the issuance of licenses and ensuring that only qualified persons are licensed. Periodically, the boards should be provided with lists of all applicants approved and licensed by OPLD.

The team found that the boards do not routinely receive lists of applicants who have been approved and licensed by OPLD. One board chairperson stated that she periodically requests and receives a list of all applicants who have passed their respective board examinations, but this information is not automatically provided. A member of another board stated that because they do not routinely receive approval lists and the corresponding application packages, the board is unaware of the qualifications of the nearly 4,000 professionals who operate under their authority.

Without lists of all approved licensees and the supporting application packages for review, boards cannot ensure that only qualified applicants are licensed.

PROFESSIONAL LICENSING DIVISION AND REGULATORY BOARDS

- c. The contractor approves and issues some licenses for reciprocity without written delegation by the boards.*

D.C. Code § 47-2853.08(2) (2001) states that the boards shall have the power to:

Determine whether the standards for licensure by another jurisdiction, or certification by a national certifying organization, are substantially equivalent to the requirements of this subchapter and authorize the issuance of a license by reciprocity or endorsement to an applicant:

- A. Who is licensed or certified and in good standing under the laws of another state with requirements which, in the opinion of the board, were substantially equivalent at the time of licensure to the requirements of this subchapter, and which state admits professionals licensed by the District in a like manner; and**
- B. Who pays the applicable fees established by the Mayor[.]**

The team found that the contractor approves and issues some reciprocity licenses. According to OPLD contact representatives, OPLD has delegated the entire review, approval, and issuance processes of some professions’ reciprocity licenses to the licensing contractor.

The team also found that some board members were unaware of the procedures regarding the approval and issuance of reciprocity licenses. Board members further expressed a desire to review all reciprocity applications to ensure that the licensing standards from other jurisdictions are equivalent to those required by the District.

Neither OPLD nor the boards could produce written documentation that provided OPLD or the contractors with delegated authority to issue reciprocity licenses without board review or approval. Contact representatives stated that this has been standard operating procedure for many years. However, boards cannot ensure that only qualified reciprocity applicants are being licensed to operate in the District if they do not review and approve their applications.

Recommendations:

- a. That the D/DCRA, and the licensing and regulatory boards establish policies and procedures to ensure that each board provides written delegated authority to DCRA for the review, approval, and issuance of occupational and professional licenses.

Agree Disagree

DCRA’s Response, as Received:

PROFESSIONAL LICENSING DIVISION AND REGULATORY BOARDS

During FY 2007, OPLD will develop policies, procedures and authorizations in accordance with 47-2853.10(a)(1).

- b. That the D/DCRA ensure that the licensing boards are provided with a monthly report of all licensee activity.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

The staff will make sure that boards are provided with a monthly report of license activity.

- c. That the D/DCRA coordinate with all licensing board chairpersons to ensure that reciprocity license applications are reviewed and approved by the appropriate boards.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

OPLD will develop policies, procedures and authorizations in accordance with 47-2853.10(a)(1) to ensure that all reciprocity license applications are reviewed and approved, where applicable.

20. DCRA has not provided the boards with the legal and administrative support needed to carry out their responsibilities.

D.C. Code § 47-2853.10(a)(2001) states, in part, that the Mayor shall be responsible for:

- (2) **[p]lanning, developing and maintaining procedures to ensure that the boards receive administrative support, including staff and facilities, sufficient to enable them to perform their responsibilities; [and]**
- (3) **[p]roviding investigative and inspection services to the boards[.]**

a. DCRA does not provide adequate legal support to the boards.

The boards review consumer complaints, resolve licensing issues, review licensing standards, and review issues that require legal advice. The team found that DCRA has assigned only one person from its Office of General Counsel to provide assistance to 17 boards. This employee is unable to attend all monthly board meetings, and board members complained of delays in obtaining legal advice or opinions. This limited support may impede critical board decisions that could have a negative impact on both licensees and consumers using licensees' services.

PROFESSIONAL LICENSING DIVISION AND REGULATORY BOARDS

- b. Contact representatives are not able to provide adequate administrative support to the boards due to their workload and recent employee retirements.*

OPLD has five contact representatives to provide administrative support to the boards. In addition to assisting in the licensing approval and issuance functions, these contact representatives are required to schedule, attend, and record the proceedings of board meetings. At the beginning of this inspection in February 2005, the team found that contact representatives were providing assistance to an average of two boards. This increased to four boards due to the retirement of three contact representatives during the course of our inspection, none of whom have been replaced.

Recommendations:

- a. That the D/DCRA conduct an assessment of legal services required by the licensing boards and provide additional staffing where necessary.

Agree Disagree

DCRA's Response, as Received:

OPLD is in the process of hiring contract staff to assist in conducting an assessment with the licensing boards and work with the General Counsel where legal services are required.

- b. That the D/DCRA fill recently vacated OPLD contact representative positions to ensure that administrative support to the licensing boards is not compromised.

Agree Disagree

DCRA's Response, as Received:

Appropriate staffing will be provided.

**Findings and
Recommendations:**

**VENDING AND SPECIAL
EVENTS DIVISION**

VENDING AND SPECIAL EVENTS DIVISION

All licenses and permits for vending and special events activities³² occurring in the District of Columbia are approved and issued through the Vending and Special Events Licensing Division (VSED). The VSED is a one-person unit operating with the investigative support of one contract employee. In FY 2004, the VSED issued 160 special event licenses, and certified and exchanged 635 vending licenses. In FY 2005, VSED issued 90 special event permits and certified and exchanged. Vending licenses are renewed every two years. In March 2006, VSED certified and exchanged 645 vending licenses. VSED issued 90 special event permits. The totals given in FY 2004 include block parties for which the city receives no revenue.

The Omnibus Regulatory Reform Amendment Act of 1998 (D.C. Law 12-86, effective April 29, 1998) instituted a moratorium for the issuance of new vendor street licenses. VSED is not issuing new licenses until the moratorium is lifted and is uncertain of when that will occur.

21. The Vending and Special Events Division has done an effective job of organizing and streamlining the vending and special events licensing function, implementing security procedures, and collecting fines owed to the District.

The VSED is operated by one employee who performs all the duties associated with the oversight of street vendors and the issuance of permits for special events. The team found that this employee has done an excellent job of streamlining and organizing what once was an extremely long and frustrating licensing and permit process. The team also found that VSED has established strong reciprocal relationships with the various agencies involved in the special events permit process, including the Metropolitan Police Department and the Department of Fire and Emergency Medical Services.

For stakeholders requiring special events permits, the VSED provides a complete instruction package, fee schedule, and other information, including agency approval requirements. By centralizing this information and requiring completed applications, VSED has reduced the time it takes to issue a special events permit from 20-25 days to 3-4 days. The team also found that VSED has been diligent in collecting outstanding fines and penalties owed to the District prior to issuing renewal licenses to vendors. In FY 2004, VSED collected over \$250,000 in fines and penalties owed to the District and has projected the collection of \$350,000 or more in 2005.

The VSED has also taken significant steps to enhance the security tools and procedures that protect and safeguard the system against the issuance of fraudulent licenses. VSED now issues vending license renewal badges that include an embedded electronic chip, and unalterable photo IDs.

Recommendation:

None.

³² These events include parades, block parties, fireworks, or other activities requiring street closings.

**Findings and
Recommendations:**

**OFFICE OF COMPLIANCE
AND ENFORCEMENT**

OFFICE OF COMPLIANCE AND ENFORCEMENT

The Office of Compliance and Enforcement (OCE) is DCRA's enforcement arm and handles complaints, conducts investigations, and enforces laws, rules, and regulations. OCE imposes sanctions and takes other adverse actions against businesses and individuals found to be in violation of District law.³³

The Office of Investigations (OI) within OCE is responsible for:

- investigating formal complaints filed against licensed and unlicensed professionals and businesses operating in the District;
- issuing Notices of Infractions (NOIs) to professionals and businesses;
- conducting pre-license investigations;
- attending hearings related to pre-license investigations and NOIs; and
- conducting compliance surveys.³⁴

DCRA stated that during FY 2004 OI conducted 287 investigations and 82 pre-license investigations, issued 103 NOIs, attended 150 hearings, and completed 817 compliance surveys. During FY 2005, according to DCRA, OI conducted 350 investigations and 262 pre-license investigations, issued 297 NOIs, attended 176 hearings, and completed 876 business surveys. At the time of this inspection, OCE had 14 investigators and no vacancies.

The Office of Weights and Measures (OWM), also within OCE, is responsible for inspecting, testing, and ensuring the reliability and accuracy of all weights, scales, beams, measures, and accessories connected to such instruments when used by businesses in the District.³⁵ *See generally* D.C. Code § 37-201-.03 (a) (2001). The standards used for testing these devices are highly technical, and are established by the National Conference on Weights and Measures (NCWM). OWM is also responsible for overseeing the Weights and Measures Registration Program.³⁶

DCRA stated that during FY 2004, OWM inspected 10,793 weight or measurement devices in 3,112 businesses, and weighed 34,145 packages during the course of these inspections. During FY 2005, according to DCRA, OWM inspected 8,267 weight or measurement devices in 3,397 businesses, and weighed 25,435 packages during the course of the inspections. At the time of the team's inspection, OWM had 5 inspectors and no vacancies.

³³ See <http://www.dkra.dc.gov>

³⁴ OCE investigators identify a street or corridor of the District and conduct physical surveys of all businesses operating on that street or within that corridor. The investigators ensure that the surveyed businesses have a legally posted business license and a certificate of occupancy. The investigators will also verify that the business "use" stated on the certificate of occupancy is accurate, and the licenses of all professionals working in the establishment to ensure that all licenses are current.

³⁵ These devices include scales used in grocery stores, medical offices, and trash transfer stations, as well as gasoline station pumps.

³⁶ As of October 2004, all businesses operating in the District that have a scanner (an electronic system that uses a laser bar code reader to retrieve product identity, price, and other information stored in a computer memory), or a commercial weight and measuring device (a device used in commerce to determine a monetary charge), are required to register this equipment with DCRA.

OFFICE OF COMPLIANCE AND ENFORCEMENT

Office will contact MPD to see what training for investigators may be available at the Blue Plains Facility.

23. OCE does not have sufficient investigative and inspection tools.

Investigators conduct investigations in their offices and in the field. They require a variety of essential tools to conduct effective, efficient, and timely investigations and surveys, including reliable communication equipment, cameras, and automobiles. Investigators and inspectors also need access to reliable licensing, ownership, and address information.

Investigators stated that they must frequently use their personal vehicles to conduct investigations. In addition, they risk losing or misplacing documents because there are too many investigators using too few printers. They have communication problems with their agency-issued cellular telephones, including numerous instances when there is no service or no signal, which often leads to calls disconnecting during conversations and, in some instances, prevents staff from making phone calls altogether. Investigators and inspectors stated that they lack sufficient and timely access to DCRA databases that contain critical licensing, ownership, and address information.

The team found that DCRA has not provided OCE with: (1) an adequate number of vehicles to conduct investigations; (2) adequate office equipment such as printers and cellular telephones; and (3) database access for investigators and inspectors.

Without sufficient vehicles, investigators must use their own vehicles and are not compensated for gas, and wear and tear. The lack of printers and prompt access to all pertinent DCRA databases slows the investigative and inspection processes, and may result in incomplete or flawed investigations and inspections.

Recommendation:

That the D/DCRA and the Deputy Director for Compliance and Enforcement direct a comprehensive review of the needs cited by investigators and inspectors, and act to provide necessary investigative and inspection tools and equipment.

Agree _____ **X** _____ Disagree _____

DCRA's Response, as Received:

The agency recognizes that the automotive fleet is not sufficient to adequately accommodate its inspection/investigative force. The agency plans to acquire additional vehicles and other means of transportation to address this shortage. Since early FY 2005, the OCE has benefited from improved access to databases needed to support investigations. All OCE investigators and inspectors are equipped with cell phones, cameras and personal protective equipment (PPE).

24. The Office of Investigations does not have adequate staff to conduct surveys and investigations of businesses and professionals that fail to renew their licenses and

OFFICE OF COMPLIANCE AND ENFORCEMENT

corporations that fail to recertify.

OI is responsible for conducting compliance surveys to ensure that unlicensed businesses, corporations, and professionals are not operating in the District. Compliance surveys and investigations should not only be conducted randomly, but also initiated when businesses, professionals, and corporations fail to renew their licenses or re-certify their corporations.

OCE managers stated that due to current staffing levels, OI can only conduct limited compliance surveys, and has only enough investigators to investigate unlicensed businesses, professionals, and corporations on a “complaint-driven” basis.

Recommendation:

That the D/DCRA increase the number of investigators so that proactive investigations can be conducted to ensure that only legally licensed businesses, professionals, and corporations with certification operate in the District.

Agree _____ **X** _____ Disagree _____

DCRA’s Response, as Received:

In FY 2006, OCE is in the process of hiring additional staffing to improve efficiency by conducting investigative surveys and increasing city-wide enforcement.

25. DCRA does not comply with the federal law requiring that certain employees wear protective clothing.

OWM inspectors are required to test the weighing devices and scales at trash transfer stations operating in the District. In addition to solid waste, these transfer stations contain household chemicals, motor oil, and other potentially dangerous waste items.

29 CFR § 1910.132(a)(1999) states:

Protective equipment, including personal protective equipment for eyes, face, head, and extremities, protective clothing, respiratory devices, and protective shields and barriers, shall be provided, used, and maintained in a sanitary and reliable condition wherever it is necessary by reason of hazards of processes or environment, chemical hazards, radiological hazards, or mechanical irritants in a manner capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact.

The team found that OCE is not providing protective clothing to OWM inspectors when they conduct inspections of weight devices in hazardous areas, such as the District’s solid waste transfer stations. The lack of proper protective equipment may expose these inspectors to health

APPENDICES

- Appendix 1:** List of Findings and Recommendations
- Appendix 2:** Sample Employee Survey
- Appendix 3:** MAR 05-I-003
- Appendix 4:** D/DCRA Response to MAR 05-I-003
- Appendix 5:** Photographs of OPLD Filing Storage Area

APPENDIX 1

LIST OF FINDINGS AND RECOMMENATIONS

Key Findings:

1. **DCRA exercises insufficient oversight of the licensing process for non-medical professionals.**

That the D/DCRA conduct a comprehensive assessment of the system for licensing non-medical professionals, based on best practices, to provide maximum oversight and accountability for licensing revenue. Such an assessment might also include the cost effectiveness of continuing to outsource, as opposed to providing licensing services in-house.

2. **Due to DCRA's inadequate auditing and reconciliation procedures, the District may not be receiving the maximum amount of licensing revenue from the vendor.**

That the D/DCRA conduct regular audits to verify the fees reported each month by the contractor for licenses issued.

3. **Lack of proper contract oversight allows the contractor to receive payment without meeting all contractual requirements.**

- a. That the D/DCRA and Office of Contracting and Procurement ensure that future contracts for licensing services require a program official to verify and approve the satisfactory completion of all requirements prior to contractor payment.
- b. That the D/DCRA and OCP ensure that future contracts for licensing services contain a provision requiring the contractor to remit gross revenues to the District and to bill related commission expenses separately.

Business Services Division:

4. **Security deficiencies in the Business Services Division may allow fraudulent licenses to be issued.**

- a. That the D/DCRA continually review the business license database to increase internal safeguards and implement changes as warranted.
- b. That the D/DCRA ensure that annual or quarterly audits of the basic business licensing function are conducted.
- c. That the D/DCRA ensure that BSD performs a daily reconciliation of all licenses issued, applications received, blank license stock used, and revenue collected.

LIST OF FINDINGS AND RECOMMENATIONS

- d. That the D/DCRA ensure that security procedures for the photo process and custody and destruction of photo identification badges, are written and included in the BSD standard operations manual.

5. Business license application documents are not properly filed or stored.

That the D/DCRA review the department's current filing system procedures, expedite a file review, and hire contracted labor, if necessary, to properly organize and store BSD license application documents.

6. Blank business license stock is not properly inventoried and controlled.

- a. That the D/DCRA conduct a complete inventory of blank license stock and maintain an official inventory that identifies all license stock activity.
- b. That the D/DCRA develop and implement written policies and procedures for the inventory and control of blank license stock.
- c. That the D/DCRA take action to securely store all license stock.

7. DCRA does not adequately document its project to identify businesses operating in the District without renewing their licenses.

- a. That the D/DCRA ensure that BPLA provides an up-to-date, documented status report on the UBLP to senior DCRA management.
- b. That the D/DCRA evaluate the needs of the UBLP and take steps to improve its efficiency and effectiveness.

8. BPLA does not update and maintain the Basic Business License database as required by BSD procedures.

That the D/DCRA ensure that the Program Manager of the BLD implement the policies and procedures already in existence for updating the Basic Business License database and for maintaining project summary reports, or that the Program Manager document any new policies and procedures, including the use of any new management reporting tool.

9. The administrative separation of Business Service Division operations may be inefficient and may unnecessarily duplicate licensing efforts.

That the D/DCRA conduct an analysis of the administrative and program functions of the BLC and BLD and consider uniting them under a single manager.

LIST OF FINDINGS AND RECOMMENATIONS

Office for Disability Affairs

No findings or recommendations.

Corporations Division

10. The Corporations Division (CD) Corporate Tracking System is inadequate.

That the D/DCRA ensure that the Corporations Division can upgrade and maintain its automated systems, and will have the capability to track employee input, modify standard documents, and generate statistics for pending and completed applications.

11. The Corporations Division lacks adequate customer service staffing and administrative support to manage the current workload.

That the D/DCRA provide the CD with adequate administrative and customer service staff to support its mission.

12. The Corporations Division telephone service is unreliable.

That the D/DCRA conduct a survey of the Division's telephone problems and take steps to resolve them as soon as possible.

Occupational and Professional Licensing Division

13. The Occupational and Professional Licensing Division does not securely store vital records and lacks adequate storage space.

That the D/DCRA and BPLA managers review filing procedures and space requirements, and take steps to expeditiously organize documents and files for accurate retrieval, and securely store them in a central location that is accessible only to authorized personnel.

14. The Occupational and Professional Licensing Division does not ensure that applicants comply with the Clean Hands Act before issuing them a license.

That D/DCRA coordinate with the Office of Tax and Revenue, the Department of Public Works, the Department of Motor Vehicles, and the District of Columbia Water and Sewer Authority to develop a plan to determine the debt status of an applicant prior to issuing a license.

15. OPLD oversight of the occupational and professional licensing contract has been inadequate

LIST OF FINDINGS AND RECOMMENATIONS

- a. That the D/DCRA work with the Office of Contracting and Procurement (OCP) to ensure proper oversight is provided for the licensing contract.
- b. That the D/DCRA ensure that the COTR conducts an independent evaluation of the contractor at the end of the contract period.
- c. That the D/DCRA ensure that the COTR has the requisite training for managing the licensing contract.
- d. That the D/DCRA conducts an assessment of the cost effectiveness of providing licensing services in-house as opposed to continuing to outsource these services.

16. Deficiencies in security procedures still exist and may allow the issuance of fraudulent licenses.

- a. That the D/DCRA collaborate with the contractor to draft a manual for security policies and procedures and ensure that it is properly distributed.
- b. That the D/DCRA initiate periodic audits of the contractor's licensing operation.
- c. That the D/DCRA and the contractor conduct an inventory of license stock, generate and maintain an official inventory log that identifies all license stock activity, and implement the imprinting of serial numbers on all license stock.
- d. That the D/DCRA conduct a review of the contractor's security procedures to ensure compliance.
- e. That the D/DCRA evaluate, document, and monitor all verbal operational and security procedures.
- f. That the D/DCRA establish a system to ensure that the contractor secures the photo-scan area from unauthorized personnel at all times.

17. OPLD does not receive all services from the licensing contractor as stipulated in the contract.

- a. That the D/DCRA and OCP review the current contract and ensure that a contract requirements timetable is established, and that services are provided before the end of the contract period.
- b. That the D/DCRA and OCP ensure that contract requirements timetables are clearly defined and adhered to for any new contract.

LIST OF FINDINGS AND RECOMMENATIONS

18. OPLD lacks a comprehensive system to track and document the resolution of written or telephone complaints and inquiries. _

That the D/DCRA coordinate with the licensing contractor to develop and implement an effective complaint and resolution tracking system.

Professional Licensing and Regulatory Boards

19. Professional Licensing Boards do not have written procedures or documentation delegating board approval authority.

- a. That the D/DCRA and the licensing and regulatory boards establish policies and procedures to ensure that each board provides written delegation authority to DCRA for the review, approval, and issuance of occupational and professional licenses.
- b. That the D/DCRA ensure that the licensing boards are provided with a monthly report of all licensee activity.
- c. That the D/DCRA coordinate with all licensing board chairpersons to ensure that reciprocity license applications are reviewed and approved by the appropriate boards.

20. DCRA has not provided the boards with the legal and administrative support needed to carry out their responsibilities.

- a. That the D/DCRA conduct an assessment of legal services required by the licensing boards and provide additional staffing, where necessary.
- b. That the D/DCRA fill the recently vacated OPLD contact representative positions to ensure that administrative support to the licensing boards is not compromised.

Vending and Special Events Division

21. The Vending and Special Events Division has done an effective job of organizing and streamlining the vending and special events licensing function, implementing security procedures, and collecting fines owed to the District.

No recommendations.

Office of Compliance and Enforcement

22. OI Investigators and OWM Inspectors do not receive job specific training.

LIST OF FINDINGS AND RECOMMENATIONS

That the D/DCRA and the Compliance Officer for the Office of Investigations and Weights and Measures develop and fund a job-specific training program that can provide basic training for new investigators, as well as updates to maintain the skills of experienced investigators.

23. OCE does not have sufficient investigative and inspection tools.

That the D/DCRA and the Deputy Director for Compliance and Enforcement direct a comprehensive review of the needs cited by investigators and inspectors, and act to provide necessary investigative and inspection tools and equipment.

24. The Office of Investigations does not have adequate staff to conduct surveys and investigations of businesses and professionals that fail to renew their licenses and corporations that fail to recertify.

That the D/DCRA increase the number of investigators so that proactive investigations can be conducted to ensure that only legally licensed businesses, professionals, and corporations with proper certification operate in the District.

25. DCRA does not comply with the federal law requiring that certain employees wear protective clothing.

That the D/DCRA ensure that OWM inspectors are provided protective clothing and equipment for conducting inspections at locations that might expose them to chemical or radiological hazards, mechanical irritants, or other dangerous elements.

APPENDIX 2

OFFICE OF THE INSPECTOR GENERAL- SURVEY QUESTIONNAIRE

Inspection: Department of Consumer and Regulatory Affairs (DCRA) -
Business and Professional Licensing Administration (BPLA)

YOU ARE NOT REQUIRED TO PUT YOUR NAME ON THIS SURVEY

USE THE FOLLOWING LEGEND IN ANSWERING THE SURVEY ITEMS. WRITE ANY COMMENTS YOU MAY HAVE NEXT TO EACH QUESTION OR ON A SEPARATE SHEET. YOUR COMMENTS WILL BE KEPT *ANONYMOUS*, SO BE AS CANDID AS POSSIBLE AND FEEL FREE TO ADDRESS ANY ISSUE NOT COVERED BY THE SURVEY.

PLEASE COMPLETE BOTH SIDES OF EACH PAGE, PLACE IT IN THE ATTACHED ENVELOPE, SEAL IT, AND RETURN IT TO OUR OFFICE BY:

- 1. PLACING IT IN THE OIG LOCKBOX LOCATED OUTSIDE OF THE BPLA ADMINISTRATOR'S OFFICE ON THE 7TH FLOOR OF 941 N. CAPITOL ST. NE; or**
- 2. GIVING IT DIRECTLY TO AN OIG INSPECTOR**

ALL SURVEYS SHOULD BE RETURNED TO OIG BY MARCH 18, 2005.

PART I: Organization

**Legend: A. STRONGLY AGREE B. AGREE C. DISAGREE
D. STRONGLY DISAGREE E. DON'T KNOW**

1. I am familiar with DCRA's mission.
2. DCRA's structure adequately supports its mission.
3. I think the agency's management is effective. (Please explain your answer.)
- _____
- _____
- _____
- _____

OFFICE OF THE INSPECTOR GENERAL- SURVEY QUESTIONNAIRE

Inspection: Department of Consumer and Regulatory Affairs (DCRA) -
Business and Professional Licensing Administration (BPLA)

PART II: Management Ability, Effectiveness and Style

Legend: A. STRONGLY AGREE B. AGREE C. DISAGREE
D. STRONGLY DISAGREE E. DON'T KNOW

- 4. My supervisor is qualified and understands my duties and responsibilities.
- 5. My supervisor has clearly defined goals and priorities for my work.
- 6. There is open communication among all employees, both supervisors and non-supervisors.
- 7. Decisions affecting employees are made according to established policies and procedures.
- 8. My supervisor keeps me well informed about issues that affect me.

PART III: Job Satisfaction

Legend: A. STRONGLY AGREE B. AGREE C. DISAGREE
D. STRONGLY DISAGREE E. DON'T KNOW

- 9. The hiring process is fair and based on ability, knowledge, and skills.
- 10. The promotional process is fair and based on ability, knowledge, and skills.
- 11. I am satisfied with the personnel and administrative support I receive.
- 12. There are realistic opportunities for advancement.
- 13. Outstanding performance is recognized.

OFFICE OF THE INSPECTOR GENERAL- SURVEY QUESTIONNAIRE

Inspection: Department of Consumer and Regulatory Affairs (DCRA) -
Business and Professional Licensing Administration (BPLA)

14. I am not satisfied in my job and I plan to seek employment elsewhere. (If you agree, please explain.)

15. I am sufficiently paid for the work that I perform. (If you strongly disagree, please explain.)

PART IV: Equal Employment Opportunity and Sexual Harassment

Equal Employment Opportunity (EEO) refers to the fair, just and equitable treatment of all employees regardless of race, color, religion, national origin, sex, age, marital status, personal appearance, sexual orientation, family responsibilities, matriculation, physical handicap, or political affiliation. (D.C. Municipal Regulations, Title 4, 101.1).

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when the following occurs:

- a. Submission to such conduct is made either explicitly or implicitly a term or condition of employment.
- b. Submission to or rejection of such conduct by an employee is used as the basis for employment decisions affecting the employee; or
- c. The conduct has the purpose or effect of unreasonably interfering with an employee's work performance or creating an intimidating, hostile, or offensive working environment.

Sexual harassment may include, but is not limited to, verbal harassment or abuse, subtle pressure for sexual activity, patting or pinching, brushing against another employee's body, and demands for sexual favors. (D.C. Municipal Regulations, Title 4, 199.1).

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21. Employees who report and identify illegal and/or unethical actions are protected (against retaliation). (If you disagree, please explain.)
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-
-

PART V: Policies and Procedures

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
D. **STRONGLY DISAGREE** E. **DON'T KNOW**

22. There are clear, written policies and procedures that cover all aspects of my duties and responsibilities.
23. Management follows objective, standardized procedures when reviewing my work.
24. Current procedures for reporting time and attendance are satisfactory.

PART VI: Duties and Responsibilities

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
D. **STRONGLY DISAGREE** E. **DON'T KNOW**

25. I have a job description that I have read and understand.
26. My job description accurately reflects my daily assignments. (If you disagree, please explain.)
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-
-

OFFICE OF THE INSPECTOR GENERAL- SURVEY QUESTIONNAIRE

Inspection: Department of Consumer and Regulatory Affairs (DCRA) -
Business and Professional Licensing Administration (BPLA)

27. I have the equipment and resources I need to do my job. (If you disagree, please explain.)

28. I am allowed to make decisions that should be made at my level in the organization.

PART VII: Managing Assignments

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
 D. **STRONGLY DISAGREE** E. **DON'T KNOW**

29. Assignments are fairly distributed and are manageable.

30. My supervisor is available to assist with work related issues.

PART VIII: Work Standards and Performance Evaluations

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
 D. **STRONGLY DISAGREE** E. **DON'T KNOW**

31. There are performance standards for my duties.

32. I receive performance counseling during the rating period and there are no surprises in my performance evaluations.

33. I received a copy of my last performance appraisal.

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PART IX: Training

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
 D. **STRONGLY DISAGREE** E. **DON'T KNOW**

- 34. There are training opportunities available.
- 35. The training I have received while at DCRA was helpful.
- 36. My manager regularly reviews my training plan with me.

PART X: Communication

Legend: A. **STRONGLY AGREE** B. **AGREE** C. **DISAGREE**
 D. **STRONGLY DISAGREE** E. **DON'T KNOW**

- 37. DCRA has an employee complaint system.
- 38. The employee complaint system works well and concerns are resolved in a timely manner.

Please write your responses to the following questions:

39. What is being done well at DCRA?

OFFICE OF THE INSPECTOR GENERAL- SURVEY QUESTIONNAIRE

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40. What is not being done well at DCRA, and needs improvement?

41. What new or innovative ideas would you like to see developed and implemented at DCRA?

42. Are you aware of any fraud or other illegalities, waste, abuse or favoritism in any area of DCRA? If so, please explain.

APPENDIX 3



DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL
AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL

INSPECTIONS AND EVALUATIONS DIVISION
MANAGEMENT ALERT REPORT

DEPARTMENT OF CONSUMER
& REGULATORY AFFAIRS

AMERICANS WITH DISABILITIES ACT
COMPLIANCE PROGRAM IN THE
DISTRICT OF COLUMBIA

MAR 05 - I - 003
JUNE 2005

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



June 3, 2005

Mr. Patrick Canavan, Psy. D.
Acting Director
Department of Consumer & Regulatory Affairs
941 North Capitol Street, NW – Suite 9500
Washington, DC 20002

Dear Dr. Canavan:

This is a Management Alert Report (**MAR-05-I-003**) to inform you of deficiencies in your agency's role as coordinator of the Americans with Disabilities Act Compliance Program in the District of Columbia. This matter came to our attention during our ongoing inspection activities in the Department of Consumer and Regulatory Affairs (DCRA). The Office of the Inspector General (OIG) provides these reports when we believe a matter requires the immediate attention of a District of Columbia (District) government official.

Background

The Americans with Disabilities Act (ADA) prohibits discrimination in all employment practices, including job application procedures, hiring, firing, advancement, compensation, training, and other terms, conditions, and privileges of employment. It applies to recruitment, advertising, tenure, layoff, leave, fringe benefits, and all other employment-related activities.¹

Mayor's Order 94-138, dated May 25, 1994, designated DCRA as the District's coordinating agency for ADA purposes, and required it to "establish compliance and monitoring procedures for District-wide implementation of the ADA." (Attachment 1) According to the Mayor's Order, DCRA is to, *inter alia*, provide technical assistance to government and non-government entities regarding compliance with the ADA; coordinate the District government ADA compliance program; appoint a District-wide ADA Coordinator; assist agencies in the enforcement and interpretation of building codes

¹ See U.S. Department of Justice ADA website, at www.ada.gov/adahom1.htm.

for properties owned or occupied by District government agencies and programs; and designate a representative to the Regional Paratransit Coordinating Committee.²

In 1994, DCRA established the Office of Disability Affairs to be responsible for providing technical assistance to District agencies, investigating complaints, conducting surveys and training seminars, and acting as the official consultant on all matters pertaining to the ADA.³

According to agency officials, in April 2002, the City Council's Committee on Consumer and Regulatory Affairs (Committee) eliminated \$231,293 in funds used by DCRA to staff three positions that focused on ADA oversight and redirected these funds to the Finance and Revenue Committee for the preservation of the Tobacco Fund (Attachment 2). These officials stated that as a result, DCRA had to abolish the position of District-wide ADA Coordinator, in violation of the Mayor's Order.

Observations

DCRA is not coordinating the District's ADA program as required by the Mayor's Order, and has not sufficiently staffed and funded its Office of Disability Affairs to do so.

The Team found that DCRA is fulfilling only a few of its assigned ADA responsibilities, and the District's ADA Program is not in full compliance with the Mayor's Order. DCRA's Office of Disability Affairs currently has only two employees: a Program Manager and a Program Specialist. They are responsible for all ADA-related duties and responsibilities, and focus primarily on ADA matters within DCRA. They provide assistance to other District agencies only upon request and cannot carry out the full range of monitoring and enforcement activities government-wide as required by the Mayor's Order. According to the most recent data available to the Office of Disability Affairs, 13 of 61 District agencies have not identified or appointed ADA Coordinators. In addition, DCRA does not have a current list of ADA Coordinators within the District's various agencies.

Recommendations

The lack of a fully functioning, city-wide ADA program and an ADA District-wide Coordinator is in violation of Mayor's Order 94-138. In the absence of this program, the District is vulnerable to unacceptable risks regarding its ability to comply with federal and District laws against discrimination based on disability. Accordingly, we recommend that the Acting Director of DCRA take the following measures immediately:

² The Regional Paratransit Coordinating Committee advises the Washington Metropolitan Area Transit Authority regarding compliance with ADA public transportation requirements.

³ DCRA Office for Disabilities Affairs, Programs, Activities and Procedures, at 3.

1. Appoint a District-wide ADA Coordinator, and provide adequate resources to the Office of Disability Affairs so that it can ensure DCRA compliance with applicable requirements in Mayor's Order 94-138.
2. Ensure that a current list of all ADA Coordinators in District agencies is produced and maintained.

Please provide your comments on this MAR by June 17, 2005. Your response should include actions taken or planned, dates for completion of planned actions, and reasons for any disagreement with the concerns and recommendations presented. Please distribute this Management Alert Report only to those personnel who will be directly involved in preparing your response.

Should you have any questions or desire a conference prior to preparing your response, please contact Lawrence Perry, Deputy Assistant Inspector General for Inspections and Evaluations, on 202-727-9249.

Sincerely,



Austin A. Andersen
Interim Inspector General

AAA/ld

Attachment

cc: Mr. Robert C. Bobb, City Administrator
Ms. Kelly Valentine, Interim Director, Office of Risk Management

APPENDIX 4

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Consumer and Regulatory Affairs

Office of the General Counsel



June 24, 2004

BY FASCIMILE AND FIRST CLASS MAIL

Mr. Austin A. Andersen
Interim Inspector General
717 14th Street, N.W.
Suite 500
Washington, D.C. 20005

Re: MAR 05-1-003

Dear Mr. Andersen:

We are in receipt of your Management Alert Report dated June 3, 2005. The Report seeks information about the Department of Consumer and Regulatory Affairs' implementation of the Americans with Disability Act of 1990, 42 U.S.C. § 12101, *et seq.*, and related Mayor's Order, No. 94-138 (May 25, 1994.) In an effort to provide a complete response, the DCRA will need additional time to review the Report. We expect to have a response to your office in thirty days or July 24, 2005.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa A. Bell".

Lisa A. Bell
Senior Counsel
Office of the General Counsel

APPENDIX 5









