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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 5, 1998

Mr. Carl T. Hayden
Chancellor
The University of the State of New York
State Education Building
Albany, NY 12234

Re: Report 97-F-28

Dear Mr. Hayden:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we reviewed the actions taken by State Education Department (Department) officials as of October 2, 1997, to implement the recommendations in our prior audit report 95-S-42. The prior report issued on January 8, 1996, examined the Department's professional licensing operations.

Background

The State Education Department's (Department) Office of the Professions (Office) is responsible for licensing and registering more than 600,000 professionals in 38 professions. The Office is also responsible for promoting and upholding standards of practice and coordinating with the 25 State boards for the professions. The Office is authorized to investigate and prosecute misconduct in 35 professions. (The Department of Health oversees physicians, physician assistants and specialist assistants.) The Department's authority is established in Title VIII of the Education Law.

The Office consists of four major units, these are as follows:

Administration - responsible for overall Office administration, strategic planning, systems design and customer service.

Professional Credentialing - responsible for examination development and assessment and licensing and registering professionals.

State Boards for the Professions - responsible for advising the Department and Board of Regents on matters of professional licensing, practice, and conduct; selecting or preparing professional examinations; contributing to the review of licensure applications; developing

standards of practice; and participating in the discipline process. This area also includes staff who conduct professional education program reviews.

Professional Responsibility - responsible for investigating and prosecuting allegations of professional misconduct, investigating allegations of illegal practice, and for administering the Professional Assistance Program, which is an alternative to professional discipline for licensees impaired by addiction to drugs or alcohol.

The following chart shows the expenses incurred by each unit for the 1996-97 fiscal year and the number of staff in each.

UNIT	EXPENSES (IN MILLIONS)	STAFF
Administration	\$1.7	8*
Professional Credentialing	\$7.1	151 **
State Boards	\$5.0	60
Professional Responsibility	\$10.8	128

*Figure includes systems design and customer service staff as part of Professional Credentialing. Those units were moved to Administration in early 1997-98. **Includes 7 positions based in the Office of Higher Education who are engaged in professions-related activities. These positions are funded by the Office, but are not part of the Office.

License and registration fees and disciplinary fines are used to finance Office operations through a Special Revenue Fund (Fund) established by the State Legislature in 1987. At the time of our prior audit, the Department initially predicted that without a fee increase, the Fund would experience a \$4 million deficit by the end of the 1994-95 fiscal year. However, because of actions taken to accelerate registration collection and reduce costs, Department officials believe the deficit will be lower. The Department had proposed a 40 percent fee increase to address the projected Fund deficit. Management planned to use the additional revenue to increase staffing and re-engineer operations.

In our follow-up review, Department officials provided documentation indicating that as of March 31, 1997, the Fund had an adjusted cash balance of \$9.67 million.

Summary Conclusions

Our prior audit was done to address issues related to the potential Fund deficit and proposed 40 percent fee increase to be used in part, to hire additional staff. In that audit, we found that some Office operations could be made more efficient, especially through automation, without staffing increases. We concluded that additional resources and new technology investments were needed to support Office operations and to improve efficiency and effectiveness. Instead of obtaining a

permanent fee increase, we concluded that operations should first be re-engineered to determine the required level of permanent resources and related fees to support operations. We also recommended using other types of temporary financing to do the re-engineering.

In our follow-up review we found the Department has taken a number of steps to implement our recommendations to re-engineer and improve the efficiency of Office operations. This has been done without any permanent fee increase and we compliment the Department for its efforts and its improvements in services to the professions. Among these is a lock box arrangement that improved the efficiency of re-registrations and improvements in the telephone and computer systems. The Office has also embarked on a multi-year technology plan.

Summary of Status of Implementation

Of the 15 prior audit recommendations, 7 have been fully implemented, 5 have been partially implemented, 2 are no longer applicable, and 1 has not been implemented. The implementation of some recommendations will take several years, such as developing and implementing the Office's multi-year technology plan, and therefore are now only partially implemented.

Follow-up Observations

Recommendation 1

Gather and analyze data on application processing times. Use this data to identify the causes of processing delays and determine on a cost-benefit basis whether additional staff or other measures would improve processing time for license applications.

Status - Fully Implemented

Agency Action - Department officials have collected data on application processing time. They have analyzed this data and have identified the factors that contributed to delays in application processing. As a result, the Department has streamlined the application packages for six professions. The streamlined application packages should make it easier for applicants to complete. The Department plans eventually to streamline all application packages.

Department officials are also considering processing changes that will eliminate the need to enter the same information on two separate tracking systems. Currently they enter this data separately on each system. This change will allow fee information on new applicants to be entered not only on the fee system but also on the license tracking system.

Recommendation 2

Identify the reasons why applicants incorrectly complete forms and fail to submit all required information with their license applications. Determine whether improvements in application instructions are needed.

Status - Fully Implemented

Agency Action - The Department commissioned a Handbook Design Team (Team) in August 1995 to review the Office's licensing handbooks and other written materials sent to applicants and licensees. The Team completed its report and Office management is in the process of implementing the report's recommendations. The Department has redesigned the application packages for six professions and expects eventually to do so for all 38 professions. The Department will also employ a customer survey to analyze satisfaction with these new forms.

Recommendation 3

Analyze the effects that the month-of-birth registration system will have on eliminating peak workloads. On the basis of this analysis, reassess the need for additional staff to process registrations.

Status - Fully Implemented

Agency Action - The month-of-birth re-registration system was completed in December 1995. As a result of this initiative and others described later in this report, Department officials have alleviated the need for additional staff at this time.

Recommendation 4

Revise the registration processing system to ensure that checks are deposited as soon as they are received.

Status - Fully Implemented

Agency Action - The Department initiated a lock box initiative with Key Bank in June 1996. Statistics provided by Department staff show that they handle 96% of re-registrations through this arrangement and checks received are deposited that same day. Department officials also provided their analysis of the lock box service. Department officials estimated the lock box service provides an annual cost benefit of approximately \$106,000. This benefit results from the fact that they can redeploy some staff and they can earn interest on the fees that are now deposited timely. In addition to the monetary benefits, this service also allows the Department to provide much faster service to the approximately 200,000 licensees who must re-register each year.

Recommendation 5

If additional staff are necessary to address peak periods, convert overtime expenditures to hire part-time or temporary staff.

Status - No Longer Applicable

Agency Action - As a result of Department initiatives, they have reduced the need for overtime. Statistics provided by Department officials show that for the period October 1994 through March 1995, overtime costs exceeded \$317,000. Between April 1995 and March 1996, overtime costs were more than \$235,000. From April 1996 through March 1997, overtime costs were just \$23,858.

Auditors' Comments - Department officials have presently reduced the need for overtime. However, should the need for overtime increase in future periods, Department officials should consider using part-time or temporary staff.

Recommendation 6

Determine how the use of technology such as scanning and imaging can speed up and simplify the licensing and registration processes.

Status - Partially Implemented

Agency Action - The Office has embarked on a multi-year technology plan. This plan contains three components, including the redesign of the mainframe computer system and incorporating imaging technology into the redesign planning and implementation. This plan does not contain any specific details in how they will employ technologies. Department officials indicated that they plan to issue a request for proposals for system design. The designer of the system will address the use of technology.

As noted earlier, the Office has initiated a lock box arrangement with Key Bank for registration processing. This process uses scanning technology.

Auditors' Comments - The use of technology can reduce the time needed for processing of licenses and registrations. In addition, scanning technology would help Office operations by reducing: the volume of paper documents currently stored in folders, the amount of staff time spent handling these documents and the need for microfilming.

Recommendation 7

Develop a greater ability to electronically accept and transfer licensing and registration data.

Status - Partially Implemented

Agency Action - As noted above, the Office has embarked on a multi-year technology plan which, when completed, should increase the Office's ability to electronically accept and transfer data.

In addition, the lock box initiative with Key Bank currently uses scanning technology and has helped reduce the time needed to process registrations and ensures funds collected are deposited timely.

Auditors' Comments - As stated in the prior audit, we believe an improved computer system and the use of current technology could result in a more efficient license and registration processing.

Recommendation 8

Identify alternative sources of financing for the start-up costs that would be incurred in automating Office operations.

Status - Fully Implemented

Agency Action - According to Department officials they have identified a source of funding for automation of Office operations. The Office has already received authorization from the Division of the Budget and spent \$1.0 million for upgrading its Local Area Network (LAN) and has purchased 215 computers for connection to the LAN. They have also requested \$1.0 million in 1997-98 for redesign of the computer system and \$300,000 for telephone system enhancements.

Office officials also indicated that they will be requesting an additional \$2.0 million in 1998-99 for implementation of the computer system redesign and another \$100,000 for telephone system enhancements.

Recommendation 9

Review the performance of the automated telephone system and determine whether the system's capacity for answering calls can be increased.

Status - Fully Implemented

Agency Action - The Department has reviewed the performance of the automated telephone system. There have been changes made to the system since the prior audit that have enabled the system to handle additional calls and become more efficient.

In addition, as noted above they requested \$300,000 for telephone system enhancements in 1997-98 and another \$100,000 for telephone system enhancements in 1998-99.

Recommendation 10

Establish adequate performance standards for the license and registration processes. Ensure that these standards address expected time frames for the completion of required tasks.

Status - Partially Implemented

Agency Action - In response to our prior audit, Department officials indicated Office management identified two performance indicators (processing time for incoming mail and issuing time for licenses) and is developing other performance indicators and goals. During this review, Department officials indicated that standards had been developed for processing re-registrations (within one day).

Auditors' Comments - While the Department has developed some performance standards, standards should be developed for all steps in the licensing and registration processes. Such standards should identify the expected times for the completion of required tasks. For example, some licenses have education or experience requirements and the time frames for the review and approval of the documentation submitted should be developed.

Recommendation 11

Consider performance standards, workloads and staffing levels when assessing staffing needs.

Status - No Longer Applicable

Agency Action - The initiatives taken by the Office have eliminated the need for additional staff beyond those required to replace current vacancies.

Auditors' Comments - While they have eliminated the need for additional staff at this time, Department officials may find that they need additional staff in the future. Requests for additional staff should be based on an evaluation of workloads and performance standards.

Recommendation 12

Develop specific plans for re-engineering operations and developing a new computer system. Ensure that these plans are cost-efficient.

Status - Partially Implemented

Agency Action - As noted above, the Department has taken a number of actions in this area. The Office has embarked on a multi-year technology plan. They have received and expended

\$1.0 million for upgrading of the computer system and purchased 215 computers for connection to the LAN.

The Office has requested \$1.0 million in 1997-98 for redesign of the computer system and will be soliciting proposals for this redesign. They have also requested \$2.0 million in 1998-99 for implementation of the computer system redesign.

Auditors' Comments - While a multi-year plan has been developed, the plan is not specific regarding the redesign of the computer system. Department officials indicated they will address this when the system is redesigned. As noted in our prior audit, Department officials should ensure that the redesigned computer system addresses all areas for which the Office has responsibility to ensure the redesign is done in a cost-effective manner.

Recommendation 13

Propose legislation that would allow the Office to keep a portion of medical registration fees.

Status - Fully Implemented

Agency Action - The Department has proposed such legislation. According to Department officials the legislation passed both houses of the Legislature but was not approved by the Governor.

Auditors' Comments - The Department should continue to pursue such legislation.

Recommendation 14

Consider proposing legislation increasing the penalties for non-registration and consider developing more cost-effective methods for following up on unregistered professionals.

Status - Partially Implemented

Agency Action - Department officials have not proposed legislation for increasing the penalties for non-registration. Office staff provided documentation that they had requested the agency's Legislative Coordinating Team to consider proposing legislation that would allow them to match their professional database with that maintained by the Department of Taxation and Finance. However, because of other priorities, they did not pursue such a proposal. If they were allowed to match their database, the Office could determine whether the professional still resides in the State and his/her current address. This would allow a more cost effective method for following up on unregistered professionals. Office officials indicated that they contacted the Department of Taxation and Finance to determine if they can make such an arrangement. Department officials were recently notified by officials from the Department of Taxation and Finance that Tax Law precludes performing such a match.

Auditors' Comments - In response to our prior audit, Office management conducted an analysis to determine whether pursuing non-registrants is cost-effective. They found that the cost of collecting the unpaid registration fees and related penalties significantly exceeded the amounts collected. Because of this analysis, we believe they should consider increasing the penalties for non-registration and developing more cost-effective methods for following up on non-registrants.

Besides the fiscal penalties for not registering, practicing a profession while willfully failing to register or notify the Department of a name or address change is professional misconduct.

Recommendation 15

Periodically reconcile the number and type of applications received to the revenue collected to ensure that all revenue is accounted for.

Status - Not Implemented

Agency Action - Department officials indicated that their present computer system will not allow such a reconciliation to be done. However, Department officials indicated that the ability to perform such a reconciliation will be included in their request for proposals for the redesign of the computer system.

Auditors' Comments - To ensure that they adequately account for Fund revenue, management should periodically reconcile the revenue deposited to the number and type of applications received. While revenue is traceable through assignment of a unique cash number, the system does not allow a periodic reconciliation to be done.

Contributors to this report were William Challice, Frank Russo, Robert Lindholm, Aaron Fruchter and Thomas Kulzer.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any resolved matters discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Yours truly,



Carmen Maldonado
Audit Director

cc: Robert L. King