

REPORT HIGHLIGHTS PERFORMANCE AUDIT

ROC should consistently ensure that complaints are adequately resolved

Our Conclusion

The Registrar of Contractors (ROC) licenses and regulates residential and commercial contractors. The ROC can improve the regulation of contractors and better protect the public by adequately addressing construction complaints and disciplining contractors when warranted. The ROC should promote earlier resolution of construction complaints by monitoring complaints as they move through its complaint-handling process and by adding time frames to this process, and it should ensure that discipline is imposed in a timely manner. Also, regardless of whether the ROC replaces its current data system, the ROC should take key actions to enable its data system to perform agency functions efficiently and effectively. This report also provides information about the Residential Contractors' Recovery Fund (Recovery Fund).

As of August 2012, the ROC licensed almost 40,000 contractors. In fiscal year 2012, the ROC closed 3,597 complaints against licensed contractors without issuing a citation, which is a legal document listing alleged statutory violations; issued 1,498 citations; disciplined 1,139 licenses; and also received 1,566 complaints regarding unlicensed contractors. The ROC also oversees the Recovery Fund, which pays claims of up to \$30,000 to homeowners who have been financially harmed by a licensed contractor. The Recovery Fund is financed mainly by a contractor-paid assessment when they obtain or renew their licenses.



The ROC resolves complaints through a process that is intended to assist consumers by resolving issues of poor workmanship or abandoned work. However, the process does not consistently protect the public because problems are not always resolved before the ROC closes the complaint. We reviewed ten complaints that were closed in fiscal year 2011 prior to the issuance of a citation and confirmed that the ROC closed six complaints without ensuring workmanship problems had been addressed. For example, in January 2010, the ROC received a complaint regarding a pool where the tile was cracked, the pool leaked, and pipes stuck out too far. The ROC inspected the pool and then directed the contractor to fix the pool in 15 days. The ROC closed the complaint in March 2010 without verifying that the pool was fixed. In December 2010, the homeowner resubmitted the complaint because the problems were not fixed. Finally, in February 2011, the contractor signed a settlement agreement stating that the contractor would repay the complainant nearly \$3,000.

Recommendation

To better protect the public, the ROC should modify its complaint-resolution process to ensure that problems are adequately addressed before closing complaints.

ROC should streamline complaint-resolution process

Although the complaint-handling process ROC uses allows for fast complaint resolution by providing contractors opportunities to correct problems and not go through any remaining steps in this process once the problem is resolved, the complaint-handling process is lengthy for complaints that receive a citation. This process is especially long if a complaint goes through all possible steps, including going to a hearing at the Office of Administrative Hearings, and all parties take the full amount of time allotted. For example, a February 2009 complaint about a poorly refurbished pool that resulted in a license suspension took 18 months to resolve.



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This lengthy process has negative consequences in addition to the impact on the homeowners for whom relief is delayed. These include the ability of contractors who violate statute to continue working without discipline and potentially continue performing poor workmanship. In addition, there is a lack of up-to-date license information on the ROC's Web site, which can negatively affect consumers' hiring choices.

Recommendations

The ROC should:

- Seek authority to incentivize contractors to resolve problems more quickly by charging complaint-processing fees when appropriate;
- Develop a process to monitor complaints to ensure they are moving through the process; and
- Develop time frames for key steps in the process, such as issuing citations.

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

In March 2010, the ROC replaced an aging computer system with a new system, ROCIMS, to perform its core functions. This system was selected by the Governor's Information Technology Agency (GITA) as one that could be used by several agencies. Responsibility for system implementation was shared between the ROC, GITA, and the State's Web portal contractor. However, implementation of the new information management system was unsuccessful for many reasons. For example, although modification of some business practices is important to implementing this type of system, the ROC's business practices were not evaluated and modified before the system was implemented. Also, a data migration plan was not used to ensure successful transfer of data from the old system to the new system. In addition, system testing was inadequate. As a result, as of August 2012, about 112,000 of ROC's 544,000 records were duplicated or missing, while another 40,000 records contained inaccurate information.

The ROC has experienced many difficulties because of its new system, including inefficiencies and the inability to comply with some statutory requirements. For example, ROCIMS is unable to identify the number of licenses an individual is associated with. This is important to know because if any one of those licenses is suspended, according to statute, all licenses with that individual's name must be suspended.

The ROC reported that it intends to replace ROCIMS with a new information management system. Whether or not this happens, it should take steps to fix the inaccurate data and take other steps to address system-related problems, which would also aid in the development and implementation of a new system.

Recommendations

The ROC should continue its efforts to correct the system's data problems, analyze its business practices and redesign them as appropriate, and create processes for managing its information management system.

Other pertinent information about the Recovery Fund

The Legislature established the Recovery Fund to help homeowners who suffer financial losses because of a licensed residential contractor's poor workmanship. Before a homeowner can access the Recovery Fund, he/she must first either go through the ROC's complaint process or obtain a civil court judgment against the contractor. Although the ROC has implemented new practices to more quickly process Recovery Fund claims, as of January 2013, homeowners were not receiving payments until approximately 12 to 13 months after the ROC approved the claim because of insufficient Recovery Fund monies. As of July 2012, the ROC had nearly \$3.9 million in approved Recovery Fund claims that it could not pay because the Recovery Fund had not recovered from a total of \$8.5 million in required transfers to the State General Fund in fiscal years 2009 through 2012.