

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Department of Licensing Master License Service (December 20, 2010)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on January 5, 2011

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Title: Department of Licensing Master License Service

Audit Scope and Objectives:

SAO reports it designed this audit to answer the following questions:

1. Is the Master License Service (MLS) achieving the goals established in state law to provide a convenient, accessible and timely one-stop business licensing system? Does it support overall business growth by reducing paperwork and eliminating obsolete and duplicative licensing requirements?
2. Could services to businesses be improved if more state agencies and local governments participated in the program? What factors might inhibit expansion? What options are available to address those factors?

SAO audited the Master License Service in the Business and Professions Division of the Department of Licensing, focusing on fiscal years 2007 through 2009 and using more recent information when it was available. SAO indicates it evaluated only licenses that are issued exclusively to businesses. SAO did not evaluate the many licenses issued to individuals or issued to both individuals and businesses, and it did not audit the other state agencies or city governments that participate in the program.

SAO Findings:

The audit report is organized around three issues:

- MLS has achieved many of the legislative goals, but many businesses don't receive one-stop service.

SAO Recommendations:

The audit report makes a total of eight recommendations:

<p>SAO Findings: (continued)</p> <ul style="list-style-type: none"> • MLS lacks a long-term expansion plan that aligns with its financial resources. • MLS has short-term opportunities to add licenses and streamline service. 	<p>SAO Recommendations: (continued)</p> <ul style="list-style-type: none"> • There are three recommendations to the Department of Licensing for long-term program expansion: <ul style="list-style-type: none"> ○ Re-establish an MLS advisory committee and five-year expansion plan; ○ Develop more relevant performance data; ○ Resolve financial concerns about program stability. • There are five recommendations to add licenses and streamline service, four to the Department of Licensing and one to the Legislature: <ul style="list-style-type: none"> ○ Increase online availability of licenses, renewals, supplemental forms; ○ Streamline the process for businesses with multiple locations; ○ Revise the process for making business account changes; ○ Resolve concerns over acceptance of credit cards and transaction fees; and ○ Revise MLS state law to permit registration of new corporations.
<p>Agency Responses in Audit Report?</p>	<p>Yes; there is a joint response from the Department of Licensing and the Office of Financial Management, as well as a response from the Secretary of State.</p>
<p>Legislative Action Requested?</p>	<p>Yes. SAO recommends state lawmakers revise the current MLS state law to authorize MLS to process new corporate registrations and renewals on behalf of the Office of the Secretary of State. The report notes that currently MLS performs this administrative function for renewals but not for new registrations.</p>

Agencies Testifying:

The Department of Licensing (Liz Luce, Director; Ralph Osgood, Assistant Director, Business and Professions Division)

Summary of Testimony from Audited Agencies:

We recognize performance auditing as a good tool for management and finding efficiencies in government. A key to this audit was the auditors gaining an understanding of how this complex program works. The audit was a positive experience for the agency. The program has evolved since its inception in 1977, and its mission is to provide businesses with convenient, one-stop licensing. We are pleased that the audit acknowledges the achievements of the service and our partner agencies and cities. We agree that a more formal long-term strategic expansion plan would benefit the program and ultimately businesses; we are working on how to involve

stakeholders in the planning and are committed to have the plan completed by December 2011. We hope the expansion includes more state licenses and city business licenses. We will continue to balance expansion planning with available resources.

Other Parties Testifying:

Victoria Lincoln, Association of Washington Cities

Summary of Testimony from Other Parties:

AWC recently reviewed business license processes and the options available to cities. We asked cities whether they participate in the Master License Service system and if not, why not. A number of the cities have a fee structure that is more complex than a simple flat fee; there may be some challenges with adding these cities to the MLS. There may be software barriers to more cities participating. In the past, there had been grants from the Department to help address this barrier, but these grants are no longer available. Additionally, some of the bigger cities have their own complex systems, and it could take a lot of time and resources to link their systems with MLS. The expansion planning effort may want to explore these challenges. We appreciate that the State Auditor's Office asked for our perspective.