

The April 2021 Arizona Department of Real Estate performance audit and sunset review found that the Department met some of its statutory objectives and purposes but did not ensure it selected high-risk brokerages for audit, confirm the validity of license applicants' fingerprint clearance cards, and consistently investigate complaints in accordance with its policies and procedures. We made 19 recommendations to the Department, and its status in implementing the recommendations is as follows:

Status of 19 recommendations

Implemented	18
Partially implemented	1

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations from the April 2021 report.

Finding 1: Department did not ensure high-risk brokerages were audited

1. The Department should use a risk-based approach to ensure that high-risk brokerages are selected for audit.
Implemented at 18 months
2. The Department should revise its policy and develop and implement a process for selecting brokerages for audit based on their assigned risk rating.
Implemented at 18 months
3. The Department should, consistent with its policy, review the effectiveness of its new approach for selecting brokerages for audit, including:
 - a. Assessing its risk factors and audit results to determine if high-risk brokerages are being selected for audit.
Implemented at 18 months
 - b. Determining if additional risk factors relevant to the real estate brokerage industry are needed to ensure high-risk brokerages are selected for audit.
Implemented at 18 months
 - c. Monitoring trends of noncompliance in the real estate industry and making changes to its risk assessment process accordingly.
Implemented at 18 months
4. The Department should randomly select lower-risk brokerages for audit.
Implemented at 6 months

Sunset Factor 2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

5. The Department should ensure that initial license applicants possess a valid fingerprint clearance card before it issues a license by developing and implementing policies and procedures requiring Department staff to confirm the validity of fingerprint clearance cards using the DPS website.

Implemented at 6 months

6. The Department should ensure that applicants for school, course, and instructor licenses submit and it retains all required documentation demonstrating compliance with statutory and rule licensing requirements prior to approving applicants for licensure.

Partially implemented at 18 months—The Department developed and implemented application checklists to help ensure applicants submit all required school, course, and instructor license application documentation and to assist Department staff with reviewing this license application documentation. The Department also implemented a supervisory review process for reviewing a sample of school, course, and instructor licensing applications processed by Department staff each month. The Department reported that if it identifies an error in a licensing application as part of its supervisory review process, such as an applicant failing to provide required documentation, it will work with the applicant and/or Department staff to gather and document the needed information to ensure the application is complete and correct. However, because these supervisory reviews do not always occur before an applicant's license has been approved, this process does not consistently ensure that each applicant demonstrated compliance with all licensing requirements prior to approving the license.

7. The Department should train all relevant staff on the Department's policies and procedures for obtaining, reviewing, and maintaining licensing documentation for school, course, and instructor applications.

Implemented at 18 months

8. The Department should develop and implement a supervisory review process to ensure that staff adhere to the Department's policies and procedures for maintaining licensing documentation.

Implemented at 6 months

9. The Department should continue to perform the required subdivision inspections and only charge an inspection fee when it must travel to perform an onsite inspection as authorized by statute.

Implemented at 6 months

10. The Department should work with its Assistant Attorney General to determine how it should address the estimated \$61,000 in fees that it previously collected although it did not travel to perform onsite inspections.

Implemented at 18 months

11. The Department should work with its Assistant Attorney General to determine whether the revenue it receives from development fees should be included in its fee revenue calculation and analysis.

Implemented at 18 months

Sunset Factor 3: The extent to which the Department serves the entire State rather than specific interests.

12. The Department should ensure that Advisory Board members continue to annually disclose both financial and decision-making interests as required by its updated policy.

Implemented at 6 months

Sunset Factor 6: The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction.

13. The Department should investigate and resolve complaints in accordance with its policies and procedures.
Implemented at 18 months
14. The Department should modify its policies and procedures to require supervisory review of all complaint investigations throughout the investigation process to help ensure investigation time frames and notification requirements are met.
Implemented at 6 months
15. The Department should provide training to staff to ensure they are aware of the new policy changes, including key time frames and requirements. The Department should also continue to provide its enhanced training for new staff.
Implemented at 6 months
16. The Department should review the disciplinary actions matrix to ensure the penalties reflect current practices and expand the matrix to address all potential statutory and rule violations.
Implemented at 6 months
17. The Department should include in its policies and procedures a requirement to adhere to the disciplinary actions matrix when imposing discipline and include in the case report any aggravating or mitigating circumstances that would cause them to deviate from the disciplinary actions matrix guidance.
Implemented at 6 months