

July 30, 2003

Ms. Debra K. Davenport, CPA
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Re: Audit of the Arizona State Board of Appraisal

Dear Ms. Davenport:

The Board has received a final draft of your audit of the Arizona State Board of Appraisal dated July 24, 2003. Enclosed is the Board's response to your audit. A diskette is also enclosed with this response.

The Board and its staff would like to express appreciation to your auditing staff for performing the audit with as little disruption of the Board's business as possible.

If you have any questions regarding the enclosure, please do not hesitate to contact me.

Sincerely,

Deborah G. Pearson
Acting Executive Director

Enclosures

RESPONSE TO FINDING 1
BOARD NEEDS TO IMPROVE ITS COMPLAINT PROCESS
AND SEEK STATUTORY AUTHORITY TO RECOVER COSTS

Audit Recommendations

1. The Board should revise its complaint-handling process to ensure that it remains fair and impartial by doing one of the following:
 - a. Requiring board members who review and present evidence on complaints to recuse themselves from voting on any adjudicatory decisions.
 - b. Referring all complaints to a contract investigator or in-house staff investigator for investigation before any board review.

Board's Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented. To resolve any perceived conflict of interest, the Board voted at its July, 2003, meeting to implement by December 31, 2003, a new procedure whereby complaints will not be assigned to an individual Board member for summary at the Board meetings. Instead, staff will summarize the complaints to be followed by open discussion, comments, recommendations, motions and voting by all Board members. As in the past, all Board members will be furnished copies of all complaint files for review prior to the Board meetings.

2. The Board should request statutory authority to recover investigative costs and the costs of hearings for complaints against appraisers that result in disciplinary action.

Board's Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Board will be approaching the legislature in calendar year, 2004, requesting statutory authority to recover investigative and formal hearing costs associated with complaint handling and resolution.

3. The Board should define specific costs associated with complaint handling and track these costs by individual complaint.

Board's Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Board has already implemented a process whereby the costs of investigations, formal hearings before the Office of Administration, and court reporter costs are being tracked by individual complaint.

**RESPONSE TO FINDING 2
BOARD NEEDS TO PROVIDE COMPLETE AND
ACCURATE COMPLAINT INFORMATION**

Audit Recommendations

1. The Board should ensure all staff are fully trained on how to correctly provide complete and accurate complaint information to callers requesting information about appraisers' past performance.

Board's Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented. Of the four full-time employees, all are new hires, except one. Because there will be a tremendous learning curve for all new staff members and to ensure that accurate information is furnished, only the established employee will provide callers with information about appraisers' past performance. As each new staff member demonstrates the ability to understand the process, he/she will be trained on how to accurately provide callers with information.

2. The Board should implement a method of classifying complaints that staff can use to provide complete and accurate information about the nature of complaints.

Board's Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. After a complaint has been adjudicated, the Board will classify the complaint as: (a) dismissed with no violations (nondisciplinary); (b) dismissed with violations and a letter of remedial action (nondisciplinary); or (c) findings of violations of USPAP, statute or rule (disciplinary). The caller will be advised of the classification. If violations are found, information regarding the violations will be made available to the caller either verbally or by requesting that the caller file a Public Records Request Form to obtain a copy of the final finding. If a complaint has not been resolved, a caller will be advised that a pending complaint exists.

3. The Board should inform the public about letters of remedial action. It could do so by developing two categories of dismissed complaints, one being dismissed but with a letter of remedial action sent to the appraiser.

Board's Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Although there was some initial confusion, the public is now informed of letters of remedial action.