ARIZONA Auditor General
Making a Positive Difference

Arizona Department of Insurance and Financial Institutions

Initial Followup of Sunset Review Report 24-109

The September 2024 Arizona Department of Insurance and Financial Institutions (Department) Performance Audit and Sunset Review found that the Department took steps to meet some statutory responsibilities but did not consistently determine if licensee violations were corrected and lacked documented explanations for some enforcement actions, increasing the risk of future violations and public harm; did not comply with some State conflict-of-interest requirements; and did not ensure some grant monies were used as required. We made **44** recommendations to the Department, including subparts to the recommendations.

Department's status in implementing 44 recommendations

Implementation status	Number of recommendations
Implemented	7 recommendations
Implemented in a different manner	1 recommendation
In process	32 recommendations
Not yet applicable	1 recommendation
Not implemented	**3 recommendations**

We will conduct another followup with the Department in early calendar year 2027 on the status of the recommendations that have not yet been implemented.

Recommendations to the Department

Finding 1: Department did not consistently consider licensee history or determine if violations were corrected and lacked a documented explanation for some enforcement actions, increasing risk of harm to public welfare and unequal treatment of licensees

1. The Department should ensure its enforcement actions address the violations identified by developing and implementing policies and procedures for all license types that are consistent with recommended practices, including:

a. Establishing a graduated and equitable system of enforcement actions, such as civil money penalties, corrective education, monitoring, license suspension, and license revocation, to address any legal or regulatory requirements, and ensuring the enforcement actions are set sufficiently high to help compel the licensee to comply or stop operating.

▶ Status: **Implementation in process.**

In December 2024, the Department developed enforcement policies and procedures that establish a graduated system of enforcement actions based on the number and severity of substantiated statutory and rule violations requiring the Department to:

- Issue a letter of concern to a licensee who committed up to 2 less severe violation(s) and has had no prior disciplinary history, and the violation(s) did not result in identified harm to the public.
- Issue a civil monetary penalty to a licensee who committed up to 5 violation(s) and has had 3 or fewer prior disciplinary actions, and the violations involved moderate actual or potential harm to the public. This harm may include submitting false or incomplete information on insurance or license applications to the Department.
- Suspend or revoke the license of a licensee who committed 1 or more violations that resulted in substantial harm to the public. This harm may include embezzlement, misappropriation of consumer funds, or submitting fraudulent documents to the Department.

Further, the policies and procedures require Department staff to document aggravating and mitigating factors related to substantiated statutory and/or rule violations, the Department's determination of the severity of a violation, and the basis for its corresponding enforcement action(s).

Finally, the Department's policies and procedures state that, at its discretion, the Department may enter into a corrective action plan to work with licensees who have repeat violations. These corrective action plans may require the licensee to provide periodic updates to the Department on steps it has taken to address the issue(s)

that led to the violation(s), obtain continuing education related to the issue(s) that led to the violation(s), and affirm the violation(s) have been corrected through periodic written reports. However, the Department's policies and procedures do not include steps for reviewing these updates as needed to ensure or verify that licensees have corrected violation(s), increasing the risk that licensees do not correct or timely correct identified violation(s).

We will assess the Department's implementation of its policies and procedures during our next followup.

b. Specifying and requiring consideration of the number or severity of violations that should trigger each level of enforcement action(s) including whether the licensee has had prior violations.

- Status: **Implementation in process.**

  See explanation for recommendation 1a.

c. Working with licensees who have committed violations as needed—such as through written reports or examinations—to determine whether the problem has been corrected or whether additional enforcement action is needed.

- Status: **Implementation in process.**

  See explanation for recommendation 1a.

d. Documenting an explanation for how it determined enforcement actions, including its consideration of the number or severity of violations and aggravating and/or mitigating factors.

- Status: **Implementation in process.**

  See explanation for recommendation 1a.

Finding 2: Department did not comply with some State conflict-of-interest requirements, increasing risk that employees and board/committee members did not disclose substantial interests that might influence or could affect their official conduct

2. The Department should revise its conflict-of-interest disclosure form to include the disclosure of substantial decision-making interests to help ensure employees and board/committee members comply with conflict-of-interest statutes.

- Status: **Implementation in process.**

  Although the Department revised its employee conflict-of-interest form to require employees to disclose substantial decision-making interests, the form does not include statutorily required disclosure of substantial decision-making interests involving an

employee's relatives. Additionally, although the Department developed an annual conflict-of-interest questionnaire for employees and revised its conflict-of-interest form for board/committee members, neither requires the disclosure of substantial decision-making interests.[1,2] The Department reported that it believed its forms sufficiently provided information on substantial interests. We will further assess the Department's implementation of this recommendation during our next followup.

3. The Department should revise and implement its conflict-of-interest policies to include all State conflict-of-interest requirements and further align them with recommended practices, including:

a. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, in a special disclosure file available for public inspection.

- Status: **Implementation in process.**

  The Department revised its conflict-of-interest policies to require the storage of all annual conflict-of-interest disclosure forms and questionnaires in a special file, including board/committee member recusal forms from public meetings.[3] However, although the Department's policy requires it to store the meeting minutes from ATA Board meetings that reflect board member recusals and substantial interest disclosures in its special file, the policy does not similarly require the meeting minutes from its other boards and committees to also be stored in its special file. The Department reported that the policy did not require meeting minutes from other boards and committees to be stored in its special file because it posts these minutes on its website. Our July 2025 review of a judgmental sample of 5 of 150 employees and 5 of 53 board/committee members and proxies found that the Department's special file did not include a conflict-of-interest form for 1 of 10 employees and board/committee members we reviewed, contrary to Department policy.[4,5]

  Additionally, our review of board/committee meeting minutes for 8 board and committee meetings held between January 1 and May 15, 2025, identified 2 board member recusals that occurred during 2 ATA Board meetings. However, contrary to Department policy, the Department's special file did not include the ATA Board meeting minutes for both meetings, the recusal form for 1 board member, or an annual conflict-of-interest form for the other board member, as required by

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1 As discussed in our September 2024 performance audit and sunset review, statutes establish 5 public boards/committees within the Department: the Arizona Life and Disability Insurance Guaranty Fund Board; the Arizona Property and Casualty Insurance Guaranty Fund Board; the Arizona Automobile Theft Authority (ATA) Board of Directors; the Mental Health Parity Advisory Committee (Committee); and the Arizona Workers' Compensation Appeals Board.

2 According to Department policy, Department employees should complete an annual questionnaire inquiring if the employee has any new secondary employment or new substantial interests. If the employee responds yes, then the policy requires them to complete a new disclosure form.

3 Department policy requires board members to make substantial interests in meetings known verbally and through the completion of a recusal form.

4 We reviewed a judgmental sample of 2 Department employees with leadership roles and a random sample of 3 Department employees. We also reviewed a judgmental sample of 2 board members who disclosed conflicts during public meetings and a random sample of 3 additional board/committee members.

5 The Department reported that it uses proxies for ATA members. Specifically, the Department reported that it uses proxies for the DPS Director, the Maricopa County Attorney, the Motor Vehicle Division, and the Maricopa County Sheriff.

Department policy. We will further assess the Department's implementation of this recommendation during our next followup.

b. Establishing a process to review and remediate disclosed conflicts by board/committee members.

- Status: **Implementation in process.**

  The Department revised its conflict-of-interest policies to require that when a substantial interest exists, board/committee members should refrain from voting or participating in the matter, even if the board member feels they can remain objective or that their involvement wouldn't harm the public interest. Further, the Department's policies and procedures require Department management to review and sign annual conflict-of-interest disclosure forms completed by board/committee members, including to determine any required remediation. However, because of the deficiencies related to the disclosure of decision-making interests in the Department's conflict-of-interest form (see explanation for recommendation 2) we will further assess the Department's implementation of this recommendation during our next followup.

c. Developing guidance for board/committee members to fully disclose substantial interests related to meeting agenda items either through a signed document or during public meetings and documenting these disclosures in the board/committee's meeting minutes, including the name of the person with an interest (i.e., board/committee member or board/committee member's relative), the interest's description, and the reason the board/committee member is refraining from discussing or otherwise participating.

- Status: **Implementation in process.**

  The Department has developed a policy that requires board members to complete a conflict-of-interest recusal form when they have a substantial interest and to publicly describe the substantial interests, including explaining the reasons for the conflict during the public meeting. Additionally, ATA policy requires conflicts disclosed by ATA Board members to be documented in the ATA Board's meeting minutes. Our review of board/committee meeting minutes for 8 board and committee meetings held between January 1 and May 15, 2025, identified 2 board member recusals that occurred during ATA Board meetings.[6] For 1 of 2 recusals, the board member did not submit a recusal form, as required by Department policy. For the other recusal, the ATA Board meeting minutes did not include the substantial interest's description. We will further assess the Department's implementation of its policies and procedures during our next followup.

[6] We reviewed 3 ATA meetings, 2 Life and Disability Insurance Guaranty Fund Board meetings, 2 Committee meetings, and 1 Property and Casualty Insurance Guaranty Fund Board meeting held between January 1, 2025 and May 15, 2025.

d. Establishing a centralized process to track and monitor whether each board/committee member has annually completed a disclosure form in line with Department policy.

- Status: **Implementation in process.**

  The Department has developed a conflict-of-interest disclosure form tracker that identifies if board/committee members and proxies completed an annual conflict-of-interest disclosure form as required by Department policy. However, our review of a judgmental sample of 20 of 53 board/committee members and proxies found that, as of June 2025, the Department had not received annual conflict-of-interest disclosure forms from 7 board/committee members and proxies. The Department's policy does not include requirements, procedures, time frames, and/or guidance for Department staff to use and monitor the tracker, which likely contributed to the missing forms we identified. We will further assess the Department's implementation of this recommendation during our next followup.

4. The Department should continue to implement its policies and procedures requiring Department staff to review and verify that the independent review organization's (IRO) individual reviewers have signed the Department form attesting that they have met the statutory requirement of not having a conflict of interest with the healthcare appeal case reviewed.

- Status: **Implemented in a different manner at 18 months.**

  Our review of a random sample of 6 of 250 IRO appeal cases completed between December 1, 2024 and May 15, 2025, found that although all 6 cases we reviewed did not include a signature from the individual reviewer on the attestation, they included a signed attestation from a representative of the IRO that the IRO and the individual reviewer involved in the case did not have a conflict of interest that precluded the reviewer from making a fair and impartial decision. The Department reported that it obtains attestation forms signed by a representative of an IRO instead of the individual reviewer assigned to a case because the State contracts with the IRO and the IRO is responsible for complying with all applicable statutes and contractual provisions, including those regarding conflict of interest.

Sunset Factor 2: The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

5. The Department should continue to prioritize, assign, and investigate all high-priority fraud referrals.

- Status: **Implemented at 18 months.**

  The Department continues to follow the policies and procedures it updated during the audit to prioritize, assign, and investigate all high-priority fraud referrals. According to its fraud referral tracker, the Department received 1,205 fraud referrals between March 2025 and May 2025 and determined 13 to be high priority. Our review of a judgmental sample of 3 of these 13 high-priority fraud referrals found that all 3 were assigned to

an investigator within 5 days of their high-priority determination, in accordance with Department policy. Further, as of September 2025, the Department closed 1 high-priority referral after 90 days because the complainant did not provide requested documentation needed for the Department's investigation, in accordance with its policy. The remaining 2 high-priority referrals were opened as active investigative cases and, according to the Department, closed in October 2025 after 47 days because the Department's investigation did not find substantial evidence of fraud.

6. The Department should revise and implement its collection agency initial licensing policies and procedures to include a process for obtaining documentation from initial collection agency licensing applicants to determine they have not defaulted on any payments collected or received for a customer.

- Status: **Implementation in process.**

  The Department has revised its collection agency license application portal and staff review checklist to require license applicants to submit documentation, such as a credit report that the Department reported indicates that the applicant has not defaulted on any payments. However, the Department's staff review checklist does not specify procedures or steps for reviewing credit reports submitted by applicants to determine they have not defaulted on any payments collected or received for a customer. We will further assess the Department's implementation of its revised policies and procedures during our next followup.

7. The Department should implement its policies and procedures for conducting quarterly reviews of all workers' compensation claims handled by its contracted third party, including documenting the results of its quarterly reviews.

- Status: **Implemented at 18 months.**

  The Department's policies and procedures for conducting quarterly reviews of workers' compensation claims handled by its contracted third party require its staff to review and log all open claims and note any concerns or recommendations to the contractor regarding the claim such as adjusting claim amounts and monitoring whether claim needs are met. Our September 2025 review of a random sample of 20 of 459 open claims documented on the Department's log found that 19 of these open claims had been reviewed at least 3 or more times since July 2024 and included staff's review notes and the dates of prior quarterly reviews, as required by Department policies. The Department received the remaining claim in June 2025, and Department staff conducted and documented their first quarterly review in September 2025 as required by Department policies.

8. The Department should work with the Arizona Department of Public Safety (DPS) to determine what information it can collect to ensure that monies appropriated to the Arizona Vehicle Theft Task Force (Task Force) are used to pay for 75% of the personal services and employee-related expenses for city, town, and county sworn officers participating on the Task Force and implement a process for reviewing the information it collects from DPS.

- Status: **Implementation in process.**

  Since the audit, the Department has begun obtaining and reviewing monthly information from DPS intended to help ensure that monies appropriated to the Task Force are used to pay 75% of allowable costs. Specifically, the Department receives 2 reports from DPS monthly to determine whether Task Force monies are used to pay 75% of allowable costs. Our review of the 2 May 2025 reports found that these reports included the total amount of monies spent on regular pay and the corresponding reimbursement amount paid with Task Force monies for regular pay. This allows the Department to determine whether Task Force monies are used to pay 75% of these costs. Although these reports included the amount of Task Force monies used to reimburse cities, towns, and counties for overtime pay and employee-related expenses, these reports did not include the total amount of monies spent on these costs. The Department reported that these reports did not include this information because it was not part of the documentation that DPS provided to the Department. Without the total amount of overtime pay or employee-related expenses, the Department is unable to determine whether these costs are reimbursed at 75%.[7] The Department reported that beginning July 2026, it will receive this information from DPS as part of the monthly reports.

  Finally, although the Department has a process for reviewing the 2 DPS reports it receives monthly, this process is not documented or reflected in its policies and procedures, increasing the risk it will not consistently follow this process with employee turnover. We will further assess the Department's implementation of this recommendation during our next followup.

9. The Department should ensure ATA vertical prosecution grant monies are used consistent with grant and statutory requirements by:

a. Requiring Department staff to document their review of vertical prosecution grant information it receives, ensuring all grant expenditure information it receives is accurate, complete, and that discrepancies are investigated and resolved.

- Status: **Implementation in process.**

  In March 2025, the Department updated its policies and procedures for both ATA vertical prosecution grant monies and ATA law enforcement grant monies to include steps staff should take for reviewing if grant expenditure information it receives is accurate and complete. These steps require staff to review grantee expenditure reports and invoices and to share any identified deficiencies with the grantee to take immediate action to resolve the deficiency. However, the policy does not include steps for staff to ensure these discrepancies are resolved.

  The Department has also developed grant compliance policies and procedures that require a supervisory review of vertical prosecution grant information. However, these policies and procedures also do not include requirements for supervisors

[7] Laws 2026, Ch. 126 allows the Task Force monies to pay for 100% of overtime pay.

to review and/or ensure any noted discrepancies are investigated and resolved. The Department reported that it believed its policy included this requirement but indicated it would revise its policy accordingly. We will further assess the Department's implementation of this recommendation during our next followup.

b. Implementing a supervisory review process to review staff's documentation of its review of vertical prosecution grant information received, ensuring any noted discrepancies were investigated and resolved, and information was consistent with grant and statutory requirements.

- Status: **Implementation in process.**

  See explanation for recommendation 9a.

10. The Department should ensure ATA law enforcement grant monies are used consistent with grant and statutory requirements by developing and implementing written procedures for reviewing grantee expenditure reports, invoices, and other documents provided by law enforcement agencies to demonstrate how grant monies were used and ensuring law enforcement grant monies were spent in accordance with grant requirements.

- Status: **Implementation in process.**

  See explanation for recommendation 9a.

11. The Department should review long-term care insurance rate filings within 60 days, as required by statute.

- Status: **Implementation in process.**

  Our review of all 16 long-term care insurance rate filings the Department received between March and June 2025 found that as of August 2025, the Department had reviewed and closed 2 of these rate filings within 36 and 50 days after receipt, respectively, and 2 rate filings had been open for review less than 60 days.[8] This represents an improvement from our September 2024 performance audit and sunset review during which our review of 27 long-term care insurance rate filings found that none had been closed within 60 days.

  However, the Department reviewed and closed 1 of 16 rate filings in 164 days. According to the Department's tracking spreadsheet, the review of this rate filing was delayed at the insurance company's request to review additional information it submitted to the Department. The remaining 11 of 16 rate filings had been open between 90 and 132 days as of the time of our August 2025 review.[9] According to the Department's tracking spreadsheet, 8 of these rate filings required additional reviews to verify the accuracy of submitted information, which contributed to processing delays.

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[8] As of our July 2026 review, the Department reported that 1 of these 2 complaints was withdrawn and the other complaint was still open for 380 days because it continues to work with the entity on counter offers.

[9] As of our July 2026 review, the Department had finalized its review for these 11 long-term care insurance filings. The Department took between 231 and 365 days to complete its reviews.

For the other 3 rate filings, the Department did not document the reason for the delay. Additionally, the Department reported that the amount of time insurance companies need to address Department comments and questions on rate filings contributes to its inability to review and make a determination on some rate filings within 60 days.

Finally, the Department reported that a statutory change authorizing the State to use a third-party national interstate compact (Compact) to assist with reviewing some long-term care insurance rate filings will help improve the timeliness of these reviews.[10,11] According to the Department, it will refer long-term care insurance rate filings seeking an increase of 15% or less to the Compact for review, and it will continue reviewing all other filings. Although the Department indicated that this new process should improve review time frames by allocating some reviews to the Compact and reducing the number of filings the Department reviews, none of the 16 long-term care insurance filings it received between March and June 2025, including the rate filings that took longer than 60 days to review, requested an increase of 15% or less according to the Department's tracking spreadsheet. We will further assess the Department's implementation of this recommendation during our next followup.

12. The Department should revise and implement its policies and procedures to include all aspects of its revised process for reviewing and approving long-term care insurance rates, including:

a. Procedures for tracking its progress for all key review steps, such as contracted actuary review completion date, recommended outcome, date routed to staff actuary for review, and final outcome.

- Status: **Implementation in process.**

  As of August 2025, the Department had developed procedures for monitoring its review of long-term care insurance rate filings through a tracking spreadsheet to help ensure these filings are reviewed within 60 days, as required by statute. This spreadsheet includes key information, such as the date the filing was received, the date it was routed to an actuary for review, the recommended outcome by the actuary, the final approved percentage increase, the number of Arizona policyholders affected, and the date the filing was closed. Additionally, these procedures require Department staff, including supervisors, to review and discuss the status of open-rate filings as reflected on the tracking spreadsheet weekly. However, these procedures do not require staff and supervisors to document their reviews and meetings. By not documenting these reviews and meetings, the Department lacks a record of these reviews and meetings occurring to help ensure the information on its tracking spreadsheet is complete and accurate.

  Additionally, as of October 2025, although the Department reported developing time frames for its contracted actuary to complete its review, it continues to evaluate the

[10] Laws 2025, Ch. 222. This change became effective September 26, 2025.

[11] A.R.S. §20-3251 states that the Department's third-party compact is with the Interstate Insurance Product Regulation Commission. According to the Department, there is no cost to the State for reviews this Commission conducted.

need for additional revisions to its long-term care insurance rate filing review policies and procedures. This may include incorporating potential revisions to reflect its authority to refer some rate filings to the Compact for review but did not provide an expected date for doing so. We will further assess the Department's efforts to revise its policies and procedures to include all aspects of its process for reviewing and approving long-term care insurance rates during our next followup.

b. Procedures requiring a supervisory review of information recorded on its tracking spreadsheet to ensure information is complete and accurate so it can accurately monitor the status of the filings it receives.

- Status: **Implementation in process.**

  See explanation for recommendation 12a.

13. The Department should evaluate whether its new process for reviewing long-term care insurance rate filings has facilitated its ability to review and approve long-term care insurance rate filings within its statutory time frame of 60 days, and determine what changes to its process, if any, are needed to ensure filings are reviewed within its statutory time frame. The Department should make corresponding changes to its policies and procedures, as needed.

- Status: **Implementation in process.**

  As discussed in recommendation 12a, as of October 2025, the Department continues to evaluate the need for additional revisions to its long-term care insurance rate filing review policies and procedures. We will further assess the Department's implementation of this recommendation during our next followup.

14. The Department should require its Chief Information Officer (CIO) to develop and implement a written plan that outlines key steps it will take to develop and implement all required Information Technology (IT) security procedures in line with Arizona Department of Homeland Security (AZDOHS) requirements, including outlining associated completion deadlines and assigned staff responsibilities. The plan should include steps for further revising the Department's incident response plan and account management procedures to include:

a. Incident response plan testing requirements to allow the Department to make applicable modifications to its plan based on the testing results and providing training to those individuals responsible for carrying out the plan when an incident occurs.

- Status: **Implementation in process.**

  The Department reported it has adopted the AZDOHS-required IT security policies and is tracking its development of associated Department-specific procedures. Additionally, in May 2026, after we had completed our work on this followup, it developed a written action plan that outlines key steps with completion deadlines and staff assignments for establishing all required IT security procedures in line with

AZDOHS requirements, including steps for revising its incident response planning and account management procedures. Similarly, in May 2026, the Department developed a written plan for developing specific procedures for restricting access to IT systems as noted in recommendation 14b. The Department reported it will complete these plans by the end of July 2026. Because the Department developed and began implementing the written plan after we completed our followup work, we will further assess the Department's implementation of its written plan during our next followup.

b. Specific procedures for restricting access to IT systems, including steps for identifying user responsibilities when granting user access to Department-used systems to help ensure proper segregation of duties, limiting privileged/super-user accounts, and steps for monitoring the use of agency system accounts, including those granted to vendors.

- Status: **Implementation in process.**

  See explanation for recommendation 14a.

15. The Department should hold the CIO accountable to the written plan outlined in recommendation 14, including requiring the CIO to provide quarterly written progress reports to the Department director.

- Status: **Implementation in process.**

  As discussed in recommendation 14a, in May 2026, after we had completed our work on this followup, th e Department developed a written plan for establishing all required IT security policies and procedures. This plan includes a requirement for the CIO to provide biweekly updates to the Department director on the Department's progress in developing and implementing the required IT policies and procedures. Because the Department developed and began implementing the written plan after we concluded our followup work, we will further assess the Department's implementation of its written plan during our next followup.

16. The Department should, once it has developed all required IT policies and procedures, provide training to its employees on these policies and procedures.

- Status: **Not yet applicable.**

  As explained in recommendation 14a, the Department has developed a written action plan for establishing all required IT security policies and procedures and reported it will complete the steps in its written action plan for establishing IT security policies and procedures by the end of July 2026. Because it is still in the process of establishing all required IT security policies and procedures, it cannot develop and provide training for its employees on its IT security policies and procedures, and therefore, this recommendation is not yet appliable. We will further assess the Department's implementation of this recommendation during our next followup.

17. The Department should work with Arizona Strategic Enterprise Technology office (ASET) to define and document the scope of IT security services ASET provides to the Department and ensure that ASET provides these services.

- Status: **Implementation in process.**

  In July 2026, after we completed our followup work, the Department worked with ASET to define and document the scope of IT security services ASET provides. Because this occurred after we completed our followup work, we will further assess the Department's implementation of this recommendation during our next followup.

18. The Department should develop and implement written policies and procedures for verifying whether initial licensing applicants applying for a licensing fee waiver meet statutory eligibility requirements for a licensure fee waiver.

- Status: **Implementation in process.**

  In December 2024, the Department updated its public licensing fee waiver form to include statutory information on who qualifies for a licensing fee waiver, the documentation these applicants must submit to receive the licensing fee waiver, and how an applicant should provide this documentation.[12]

  However, the Department has not developed policies and procedures directing staff review of applications, such as outlining steps or requirements for reviewing financial information demonstrating applicants do not exceed 200% of the applicable federal poverty level and verifying applicants have not previously applied for the specific type of license requested. Although the Department reported it does not intend to develop policies and procedures because the fee waiver form provides sufficient guidance for license fee waivers, absent additional policies or procedures directing staff reviews, Department staff may incorrectly approve a license applicant for a license fee waiver.

  As of May 2025, the Department reported it had not received any fee waiver requests between December 2024 and May 2025. Therefore, we will further assess the Department's implementation of this recommendation, including assessing the potential impact of its lack of written guidance for staff during our next followup.

[12] A.R.S. §41-1080.01(A).

19. The Department should revise and implement its collection agency renewal policies and procedures to include steps for verifying collection agency applicants' surety bond amounts comply with statute beginning with its next annual renewal application review.

- Status: **Implementation in process.**

  The Department revised its procedures for verifying the gross income and surety bonds of license applicants. These procedures require Department staff to annually send an email to all licensees in June, which is the start of the license-renewal period, informing them of the surety bond requirements based on the collection agency's gross annual income. The collection agency license renewal applicant is then required to provide information on their gross annual income and surety bond amount to the Department. Using this information, Department procedures require staff to verify that license renewal applicants have obtained a surety bond in the required amounts based on their gross annual income prior to license renewal. However, the procedures do not specify how its staff should verify this information. Specifically, the procedure requires staff to review the form for completeness but does not instruct staff to compare the licensee's surety bond amount to the statutorily required minimums. Without this documented process, the Department increases the risk of renewing collection agency licenses for unqualified applicants.

  Additionally, although the Department's procedures require the annual email to be sent in June, it reported it did not send its 2025 annual email until July 2025. The Department reported that budget uncertainties and workload concerns regarding responding to inquiries from licensees resulted in a delay in sending the email. We will further assess the Department's implementation of this recommendation during our next followup.

20. The Department should continue its efforts to develop and implement a process to track and monitor that collection agency licensees have submitted fictitious names reports by both July 1 and December 31 each year, as required by rule, and to follow up with licensees that do not submit the reports as required by rule.

- Status: **Not implemented.**

  To verify that collection agency licensees submit fictitious names reports, the Department reported developing a process using reports generated by its database that indicate if licensees have submitted the required reports. Specifically, the Department reported it tracks whether licensees have submitted an initial fictitious names report and subsequent report if the agency makes changes to the fictitious names they use. However, the Department does not track whether collection agency licensees submit their fictitious names reports to the Department every July 1 and December 31, as required by rule.[13]

  The Department further reported that it interprets this rule to require collection agencies to file subsequent reports only if there are changes to the fictitious names included in its initial report. However, the rule states that "the collection agency shall file a copy of

[13] Arizona Administrative Code R20-4-1520(C).

the record of fictitious names with the Department on July 1 and December 31 of each year. After filing the initial report, a collection agency shall identify all changes to the record on July 1 and December 31 of each year." As such, collection agencies must file a fictitious names report twice a year and identify any changes to the record when they do. Because the Department does not require collection agency licensees to submit their fictitious names reports twice a year, as required by rule, and only requires collection agencies to file a report if a change has been made, its process for tracking and monitoring the submission of these reports is inconsistent with rule.

Absent a process for ensuring that licensees submit fictitious names reports twice a year as required by rule, the Department potentially cannot ensure that collection agency licensees have complied with this reporting requirement and are not operating under false, deceptive, or misleading representation. We will further assess the Department's implementation of this recommendation during our next followup.

21. The Department should continue its efforts to address the recommendations received from the Conference of State Bank Supervisors (CSBS) and the National Association of Credit Union Supervisors (NASCUS) through the accreditation reviews of its bank and credit union regulatory programs.

- Status: **Implemented at 18 months.**

  According to the Department's June 2025 response to CSBS, it has taken steps to address all 13 recommendations CSBS made during the Department's 2023 reaccreditation.[14] These steps included performing an analysis of the number of additional staff needed to conduct bank examinations in accordance with accreditation standards and hiring 4 additional bank examiners between September 2023 and January 2025. The Department's response to CSBS also reported that it trained these staff on the Department's bank examination processes and these staff would continue to receive oversight from other bank examination staff members until they completed Introductory Examiner School and other training courses on performing bank examinations. According to an April 2026 CSBS letter to the Department, CSBS indicated that the Department continues to meet minimum requirements for accreditation and is no longer required to submit semiannual reports for review. Finally, consistent with CSBS requirements, the Department reported it intends to provide yearly submissions to CSBS.

  Additionally, according to the Department's October 2025 response to NASCUS, it has taken steps to address some of the 6 recommendations. These steps included developing training requirements for new employees on the credit union examination process and leading an examination and conducting evaluations of new employees after each credit union examination while these employees are in training. The Department also reported completing more than 50% of all joint examinations with federal and other State examiners as the lead agency between January 2025 and

[14] As reported in our September 2024 Performance Audit and Sunset Review, both CSBS and NASCUS reaccredited the Department's bank regulatory program in 2023. Through this reaccreditation process, CSBS made 13 recommendations and NASCUS made 6 recommendations to improve the Department's bank regulatory practices.

October 2025, as required by accreditation standards. According to NASCUS' website, the Department continues to be accredited by NASCUS as of June 2026.

However, the Department reported lacking the statutory authority to fully address 2 recommendations. Specifically, the Department reported it does not have statutory authority to (1) issue separate information security and technology (IST) examinations and ratings and examine IST service providers, and (2) examine credit union service organizations or third-party vendors. The Department further reported that it would not pursue a statutory change in these areas because such a change would be a policy matter as it would broaden its regulatory authority. Finally, the Department reported that it will again report to NASCUS on its continuing efforts to address the 6 NASCUS recommendations in October 2026.

Sunset Factor 4: The extent to which rules adopted by the Department are consistent with the legislative mandate.

22. The Department should conduct and document an assessment of the need for rules related to A.R.S. §§6-1203, 20-108.01(C), 20-211(B), and 20-235(A). Based on this assessment, the Department should adopt the required rules or work with the Legislature to revise statute(s) to remove the requirements to adopt rules.

- Status: **Implemented at 18 months.**

  Effective September 26, 2025, Laws 2025, Ch. 222, removed the requirement for the Department to adopt rules related to A.R.S. §§6-1203, 20-108.01(C), 20-211(B), and 20-235(A). Instead, these statutes state the Department may adopt rules related to these statutes. In July 2025, the Department reported it does not intend to adopt any of these rules.

Sunset Factor 5: The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

23. The Department should continue to revise and implement its public records policies and procedures to help it comply with the State's public records law and recommended practices, including procedures and guidance for:

a. Providing requests promptly, including developing internal time frames.

- Status: **Implementation in process.**

  In March 2026, the Department revised its public records policies and procedures. These policies and procedures require Department staff to respond to all public record requests within 5 business days by acknowledging the receipt of the request, explaining the public records request process, and providing an estimated date when an invoice reflecting the Department's costs for providing the requested records will be sent.

Additionally, the policies and procedures outline a goal for Department staff to fulfill public records requests within:

- 10 business days for simple requests with limited review and redaction.
- 30-60 days for moderately complex requests.
- 60-90 days for complex or high-volume requests.
- 90-120 days for requests requiring extensive review, legal analysis, or off-site retrieval.

Further, the policies and procedures require staff to notify the requester if there is a delay in meeting either the 10-business day goal or the initially reported time frame for producing the requested records and provide an updated expected time frame for fulfilling the request and the reason for the delay.

Additionally, the Department revised its public records policies and procedures to require the tracking and monitoring of records requests through a spreadsheet monitored by key staff to help ensure they are fulfilled within required time frames. Because the Department revised this policy after we concluded our followup work, we will further assess the Department's compliance with its time frames during our next followup.

b. Providing requestors with an anticipated time frame for providing requested records, based on the Department's resources, nature of the request, content of the records, and location of the records, and notifying the requestor of any delays, as necessary.

▶ Status: **Implementation in process.**

See explanation for recommendation 23a.

c. Tracking and monitoring the group email inbox to ensure all records requests are recorded and responded to in line with the internal time frames or that the requestor is notified of any delays.

▶ Status: **Implementation in process.**

See explanation for recommendation 23a.

24. The Department should ensure its meeting agendas for its Committee include a notice to the public of the statutory section authorizing the executive session and provide an agenda for the executive session that states a general description of the matters to be considered.

▶ Status: **Implemented at 18 months.**

Our review of the Committee's meeting agendas for its meetings held in March, August, and November 2025 found that the agendas included a notice to the public authorizing the executive session and a general description of the matters to be considered, as required by statute.

25. The Department should develop and implement policies and procedures for the Committee to ensure it complies with all open meeting law requirements, including those related to executive sessions.

- Status: **Implementation in process.**

  The Department has developed an open meeting law policy and procedure for the Committee to help ensure it complies with all open meeting law requirements. For example, the policy and procedure require the Department to ensure that Committee meeting notices include the time, date, and place of Committee meetings, and that meeting agendas include the specific matters to be discussed and a general description of matters to be discussed during executive session. Additionally, our review of the Committee's meeting agendas and minutes for its March, August, and November 2025 meetings found that the meeting agendas for all 3 meetings included the date, time, and exact location of the meetings and the matters to be discussed, and all 3 were posted at least 24 hours before the meeting, in accordance with statute and the Department's open meeting law policy.

  Further, the policies and procedures address compliance with statutory requirements for conducting executive sessions, including that the notice for executive sessions must include a general description of the matters to be discussed, are closed to the public, and are confidential. Our review of the March, August, and November 2025 meeting agendas found they included a notice to the public of the statutory section authorizing the executive session and a general description of the matters to be considered during the executive session, as required by statute.[15,16]

  However, the Department's open meeting law policy for the Committee does not specify that meeting minutes must be made available within 3 business days as required by statute, and instead states that meeting minutes should be made available to the public in accordance with applicable regulations or organizational guidelines. Although the Department made the meeting minutes publicly available within 3 business days for the Committee's March, August, and November 2025 meetings, the lack of a specific time frame in the policy increases the risk of future statutory noncompliance.

  Further, the Department's open meeting law policy for the Committee does not state that meeting minutes must accurately reflect items discussed during the meeting, as required by statute. This lack of alignment between statute and the policy may have contributed to statutory noncompliance we identified with the Committee's November 2025 meeting. Specifically, the Committee's November 2025 meeting minutes, which consisted of a video recording of the meeting, lacked audio and thus did not accurately reflect items discussed during the meeting.[17] Finally, the agenda for the November 2025 meeting had 8 sections, including various subsections, but the video recording was only 3 minutes long, indicating that the recording did not include the entire meeting.

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15 A.R.S. §38-431.02(B).

16 A.R.S. §38-431.02(I).

17 The March and August 2025 Committee meeting minutes covered all items listed on the meeting agendas and consisted of recordings that included video and audio of the full meetings and thus accurately reflected the items discussed during the meetings.

We will further assess the Department's implementation of this recommendation during our next followup.

26. The Department should revise and implement the ATA Board's policies and procedures to include the specific open meeting law requirements that need to be followed during meetings.

Status: **Implementation in process.**

The Department has revised the ATA Board's policy and procedures to include all open meeting law requirements. For example, the revised policy and procedures require the ATA Board's meeting notices to include the time, date, and place of the meeting; meeting agendas to include the specific matters to be discussed and a general description of the matters to be discussed during executive session; and that meeting minutes must be made available within 3 business days after the meeting and accurately reflect items discussed during the meeting.

Our review of the ATA Board's May, June, and November 2025 meeting agendas and minutes found that the ATA Board complied with some open meeting law requirements we reviewed as required by statute and the ATA Board's policy and procedures. Specifically, all 3 ATA Board meeting agendas included the meetings' date, time, exact location, and matters to be discussed.[18] Additionally, the minutes for all 3 ATA Board meetings, which consisted of video recordings with audio, followed the meeting agendas, accurately reflected the items discussed during the meetings and were made publicly available within 3 days in accordance with statute and the ATA Board's policy and procedures.

However, the Board meeting minutes for the January and June 2025 meetings did not include Board member attendance; the time, date, and location of the meeting; or a record of how each Board member voted, contrary to statute.[19] We will further assess the Department's implementation of this recommendation during our next followup.

Sunset Factor 6: The extent to which the Department timely investigated and resolved complaints that are within its jurisdiction.

27. The Department should investigate and resolve insurance complaints within the time frames established through its goals and policies.

Status: **Implemented at 18 months.**

Our review found that the Department has investigated and resolved complaints within the time frames established through its goals and policies. Specifically, according to the Department's complaint-tracking log, it received 1,483 complaints between

[18] Although required by Department policy, we were unable to review the Department's compliance with its policies and statute related to timely posting meeting notices because our review occurred after each meeting, and these agendas did not include the date of posting.

[19] A.R.S. §38-431.01(C).

December 1, 2024 and May 15, 2025. As of May 15, 2025, the Department had resolved 860 of these complaints, and our review found that it resolved 807 or approximately 94% within 80 days, exceeding its goal of resolving 75% of complaints within 80 days.[20] According to the Department, it established the 75% goal because some complaints may take more than 80 days to review, investigate, and close.

28. The Department should revise and implement its complaint-handling procedures to include time frames for:

a. Following up with non-responsive licensees that miss the deadline for responding to the complaint allegations.

- Status: **Implementation in process.**

  The Department has developed a policy that requires staff to determine whether the licensee has provided a response to the complaint within 5 days of the response deadline. If the licensee has not responded, policy requires staff to contact the licensee by letter and phone regarding the request for response and provide the licensee 3 business days to respond.

  However, the policy does not specify a time frame for contacting the licensee after they have missed the response deadline. Although the Department reported that following up with nonresponsive licensees can be time consuming, absent a time frame for following up with licensees that have not responded by the deadline and again requesting their response puts the Department at risk of not timely investigating and resolving complaints. For example, our review of 1 complaint the Department identified as having a non-responsive licensee found that the Department sent the second request for information to the licensee 15 days after the due date for the initial information request. We will further assess the Department's implementation of this recommendation during our next followup.

b. Initiating and finalizing the review of licensee responses, including documenting instances where the final review may need to exceed the established time frame based on the circumstances of the case.

- Status: **Not implemented.**

  The Department has not revised its complaint-handling policies and procedures to include time frames for initiating and finalizing the review of licensee responses. Although the Department agreed to implement this recommendation in its response to our September 2024 performance audit and sunset review, in its response to this followup, it indicated it would not implement this recommendation.

  According to the Department, establishing additional time frames for initiating and finalizing the review of licensee responses is not necessary for staff to know the

[20] The 1,483 complaints included 623 open complaints as of May 15, 2025, including 598 complaints that had been open for less than 80 days and 25 complaints that had been open for more than 80 days.

established metric for resolving complaints within 80 days, which is communicated to them when initiating the review of a complaint and through policy. Further, the Department indicated that policy requires staff to document instances where complaint resolution will exceed the 80-day time frame. However, as explained in recommendation 27, our review of a random sample of 9 of 56 complaints that were either closed or open for between 81 and 99 days found that all 9 complaints did not document staff review of these complaints when they had been open for between 70 and 80 days to determine if/why their resolution may exceed 80 days.[21] The lack of documented time frames for this review, including documenting instances where the final review of licensee responses may need to exceed the established time frame, may contribute to delays in processing complaints. Because the Department reported it will not establish these time frames, this concludes our followup work on this recommendation.

29. The Department should revise and implement its case management procedures to include time frames for its investigators and supervisors to generate open complaint reports, including implementing steps for supervisors to track and monitor the timeliness of its open complaints and follow up with investigators to inquire about delays in investigating open complaints to facilitate complaint resolution.

- Status: **Implementation in process.**

  In December 2024, the Department revised its case management procedures to include time frames for its investigators and supervisors to generate a report of open complaints. The revisions include requiring investigators and supervisors to:

  - Generate a weekly report that includes all open complaints and using it to identify delays in the complaint-resolution process.
  - Add case notation for complaints that have not been closed, including days currently open, a statement that the complaint may run over the 80-day time frame, and a reason why the complaint needs to stay open longer than 80 days.
  - Develop action plans for closing outstanding complaints.

  However, although we found the Department has exceeded its goal of closing 75% of complaints within 80 days (see recommendation 27), the December 2024 revisions to its case-management procedures did not require supervisory followup on action plans to help ensure that the action plan and its implementation will address delays in resolving open complaints, which may have contributed to some complaints not being investigated and resolved within the Department's 80-day goal. When we brought this to the Department's attention in April 2026, the Department further revised its case-management procedures to require supervisory review and followup on action plans.

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[21] The 56 complaints are part of the 1,483 complaints the Department received between December 1, 2024 and May 15, 2025. Our further review of the 1,483 complaints identified a discrepancy related to duplicate complaints recorded on the Department's complaint-tracking log that resulted in excluding both the original and duplicate complaints from our analysis, and we subsequently determined that 78 complaints, instead of 56 complaints, were either closed or open between 81 and 162 days as of May 2025. However, our random sample results apply only to the population of 56 complaints instead of all 78 complaints that exceeded the 80-day time frame.

Additionally, our review of a random sample of 9 of 56 complaints that were either closed or open for between 81 and 99 days as of May 2025 found Department staff and supervisors did not follow its procedures outlining complaint-handling time frames and requiring documentation of supervisory review to identify and address delays. For example, for all 9 complaints we reviewed, Department staff and supervisors did not document their review of these complaints when they had been open for between 70 and 80 days to determine if/why their resolution may exceed 80 days.

We will further assess the Department's implementation of its policies and procedures during our next followup.

30. The Department should revise and implement its secondary review processes to include correcting errors in its complaint-tracking systems when identified.

- Status: **Implementation in process.**

  Although the Department has revised its secondary review process for reviewing closed complaints to identify missing complaint-receipt dates, it did not update its process to include requirements for correcting all identified errors in its complaint-tracking systems. Specifically, the revised process requires supervisors to generate monthly reports of all closed complaints, identify any complaint with a missing receipt date, and direct staff to correct any missing dates. However, the process does not require the review and correction of any incorrect complaint-processing dates.

  The Department also has not developed a secondary process for reviewing the accuracy of open complaint information, such as missing complaint receipt dates and other complaint-processing dates. The Department reported that supervisors review open complaints whenever their staff need assistance or to provide guidance and coaching, but there is no schedule for supervisors to review open complaint information. By not including requirements for correcting and identifying all identified errors in its complaint-tracking systems, the Department may lack all information it needs to resolve complaints within 80 days. We will further assess the Department's implementation of this recommendation during our next followup.

31. The Department should investigate and assess the extent of missing and incorrect dates in its complaint-tracking data, such as identifying missing dates or dates that are inconsistent with the sequence of case numbers and correct any errors it identifies. Once it corrects the errors, the Department should analyze its complaint-tracking data to determine the timeliness of its open complaints, and for any open complaints that are untimely, follow up with investigators to facilitate complaint resolution.

- Status: **Not implemented.**

  The Department reported conducting a review of its complaint-tracking data for closed complaints received between January 2022 through March 2024 and addressed complaints it identified with missing dates. However, the Department did not provide any evidence or documentation of assessing the extent of missing and incorrect dates in its complaint-tracking data for complaints received after March 2024. As a result,

the Department may lack accurate data regarding the timeliness of its complaint handling. For example, our review of Department complaint-tracking data for both open and closed complaints received between March 2024 and March 2026 identified 4 complaints where the complaint-open date preceded the complaint-received date. According to the Department, these date discrepancies resulted from the need to update information related to these complaints in its complaint-tracking system, which resulted in a change to the complaint-received date.

Additionally, although the Department revised its secondary review process to require supervisors to conduct a monthly review of closed complaints, as explained in recommendation 30, this process does not incorporate a review of open complaints or missing and incorrect complaint-processing dates. We will further assess the Department's implementation of this recommendation during our next followup.

Sunset Factor 9: The extent to which changes are necessary for the Department to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.

32. The Department should work with the Legislature to make necessary statutory changes to more efficiently and effectively fulfill its key statutory objectives and purpose.

- Status: **Implemented at 18 months.**

  Our September 2024 Performance Audit and Sunset Review identified 2 areas for potential statutory changes. First, the Department reported that A.R.S. §20-466(J) provided no ability for growth of the Department's Insurance Fraud Division, and a revision to A.R.S. §§20-466 and 20-466.05 to increase the fraud unit assessment fee amount and specify that monies in the Fraud Unit Assessment Fund do not revert to the General Fund may be necessary. However, subsequent to issuing our September 2024 audit report, the Joint Legislative Budget Committee published its Fiscal Year 2026 Appropriations Report that clarified monies in the Fraud Unit Assessment Fund do not revert to the General Fund. As such, and because the Department retains all fee revenues deposited to the Fund, it determined that it did not need to increase the fee.

  Second, statute and rules do not include provisions requiring the Department to fully comply with all federal requirements for administering its appraisal-management companies (AMC) regulatory program.[22] These federal requirements include annually calculating the number of licensed appraisers on the appraiser panel and ownership limitations for State-registered AMCs.[23] During the 2026 legislative session, the Department worked with the Legislature to develop and draft a bill that revises statute to incorporate the Department's required compliance with these federal requirements. The Governor signed this bill in June 2026.

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[22] An AMC is an entity that administers a panel of independent contract appraisers who perform real estate appraisal services. The Department is statutorily responsible for registering AMCs that meet requirements under A.R.S. §32-3662.

[23] Federal regulations establish requirements for the size of appraisal panels and also require panel sizes to be calculated on the calendar year or a 12-month period established in law or rule in the state where the AMC is registered. Although the Department's statutes include provisions on panel size, they do not provide requirements for annually calculating the appraisal panel size.