

## Arizona Department of Real Estate

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

### Audit purpose

To assess the Department's approach for selecting brokerages for audit; and determine whether it issued initial and renewal licenses to qualified applicants in a timely manner, appropriately charged a fee meant to cover travel costs for performing onsite subdivision inspections, and whether it adhered to its complaint investigation, resolution, and disciplinary processes and guidelines.

### Key findings

- The Department selects and conducts audits of brokerages in the State to assess and ensure their compliance with statute and rule but did not ensure that high-risk brokerages were selected for audit.
- Although the Department ensured that salesperson and broker license applicants for initial and renewal licensure met key statutory and rule requirements for the applications we reviewed, the Department did not have a process for nor did it confirm the validity of the 20 initial license applicants' fingerprint clearance cards we reviewed.
- The Department collected an estimated \$61,000 in fees meant to cover its travel and subsistence costs for performing 1,203 onsite inspections of subdivisions offered for sale in the State from 2017 until December 2019, but did not travel to conduct these inspections. Instead, during the audit, the Department implemented a new virtual inspection process and virtually conducted these inspections. Additionally, the Department developed a new policy indicating that it would charge a fee to cover its travel costs only if it traveled to conduct onsite inspections, and as of March 2021, reported it was in the process of determining what steps it should take to address the estimated \$61,000 in fees that it had collected to conduct onsite inspections that it instead had conducted virtually.
- The Department did not investigate complaints in accordance with its policies and procedures for a random sample of 26 of 45 complaints we reviewed.

### Key recommendations

The Department should:

- Use a risk-based approach to ensure that high-risk brokerages are selected for audit, and revise its policy and develop and implement a process for selecting brokerages for audit based on their assigned risk rating.
- Ensure that initial license applicants possess a valid fingerprint clearance card before it issues a license by confirming the validity of fingerprint clearance cards using the Arizona Department of Public Safety website.
- 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.
- Investigate and resolve complaints in accordance with its policies and procedures, and modify these policies and procedures to require supervisory review of all complaint investigations throughout the investigation process.