



Arizona Real Estate Advisory Board
2910 N. 44th Street, Suite 100
Phoenix, Arizona 85018

Douglas A. Ducey
Governor

February 23, 2017

Arizona Real Estate
Advisory Board

Dear Governor Ducey,

Kimberly Clifton
2016 Chair

Thank you for allowing me to have served as the Department of Real Estate Advisory Board Chairman in 2016; it has been a true honor. Please use this as my formal evaluation pursuant to A.R.S. § 32-2104 (F).

Bill Gray
2016 Vice-Chair

The Arizona Real Estate Advisory Board was established by the Legislature to provide the Real Estate Commissioner "with such recommendations as it deems necessary and beneficial to the best interests of the public. The board shall also provide recommendations on specific questions or proposals as requested by the Commissioner."

Charles Bowles
Member

Your appointees to the Real Estate Advisory Board represent many facets of the Real Estate Industry, as well as public members, and provide valuable information to the Department relating to the Real Estate Industry. With approximately 81,500 licensees, this information supports the Commissioner's approach to issues that affect the industry and consumers.

Carla Bowen
Member

Topics that the Advisory Board has worked to continue addressing include evolving real estate business models, education standards, federal regulations/rules, fraud and missing funds in trust accounts, unlicensed real estate activity, and sharing of agency priorities through the Arizona Management System.

Bill Gray
Member

The accomplishments enumerated in the following pages reflect the leadership of Commissioner Lowe and the focus placed on continuous improvement and demonstrable value to the real estate industry and the protection of the public. Her experience and commitment to the ADRE's mission, "to protect the public interest through licensure and regulation of the real estate profession in this state", through difficult times has warranted respect throughout the real estate industry. Pursuant to A.R.S. § 32-2124 (K) there was one applicant in 2016 who met licensing requirements by an equivalent alternative.

Scott Peterson
Member

I am proud to say with resounding support that the State of Arizona Real Estate Department is one of the best in the nation.

Karen Bohler
Member

I look forward to the continued success of the Advisory Board and Commissioner Lowe for 2017.

Nedra Halley
Member

Respectfully,

Bruce A. Jacobs
Member

Kimberly S. Clifton
2016 Chairman ADRE Advisory Board

Nicole LaSlavic
Member

Judy Lowe
Commissioner

Cc: Kirk Adams



ARIZONA DEPARTMENT OF REAL ESTATE (ADRE) Summary of Accomplishments Calendar Year (CY) 2016

In CY2016, Commissioner Lowe and the ADRE TEAM continued to implement the department's Strategic Plan goals including: increasing protection to the public; enhancing the quality of license real estate education; streamlining efficient delivery of ADRE services; maximizing the ADRE technology platform; creating and maintaining an accountable, skilled and committed ADRE TEAM; and adhering to the state and agency's fiscal guidelines.

The ADRE implemented the Arizona Management System in all divisions. Weekly tracking of Scorecard goals and monthly review of performance measures for all staff is adhered to. The following reflect some of the CY 2016 accomplishments:

COMMISSIONER'S OFFICE:

- Continued implementation of the Arizona Management System;
- Establishment of two key breakthrough measures in the Auditing Division and Investigations Division – key goal to reduce average time of audits and investigations;
- 90% of all ADRE eligible staff “Meeting Expectations” or “Exceeding Expectations” in FY 2016;
- 100% of ADRE staff is uncovered employees;
- Continue to identify costs savings in the areas reported to ADOA;
- Introduced and passed *SB 1093 Real estate licenses; broker possession* which eliminated unnecessary regulation for Real Estate Brokers and Salespersons; and
- Accepted the administration of the Homeowner's Association Dispute Process as of July 2016 when the Dept. of Fire, Building and Life Safety was consolidated in the FY2017 budget. Information can be found on www.azre.gov.

BUSINESS SERVICES DIVISION:

- Digital Document Storage
 - Increased access for the regulated community, the public and ADRE staff to electronic documents and records through this digitizing project;
 - Continued reduction in the annual ISA costs with Records Management Center (RMC) through digitization and creating a sustainable workflow to continue digitizing in Licensing and Investigations;
 - Faster retrieval time and better access to records for agency operations - reduced cost in employee time to find physical records;
 - The agency, public, and real estate licensees benefit from the speed and efficiency of license application/renewal and information/file retrieval. All done online; and
 - Cost Savings in staff time, paper usage, copier costs, State Records Mgmt. cost.
- Repurposed “File Room” which housed over 100,000 paper files into usable office space with cubicles;
- Public records requests fulfilled w/in 3 days from receipt – customer may pay less or no charge depending on how they request the records;
- Completed a 2016 revision/update of the Operations Manual, including processes for all functions of Business Services; and
- Completed a successful follow-up financial audit (GAO) with no deficiencies found.



INFORMATION TECHNOLOGY

- Continued development of “Realm 2” with enhanced features to streamline the internal system to manage caseload and data;
 - Completed Investigations, Timeframes, and Hearings phases of the new Realm 2 License Management System;
- Partnered with ADOA to migrate data systems to enterprise systems – enhancing security and usability; and
 - Implemented a second Licensing Division Kiosk system with scanner for consumer use.

EDUCATION DIVISION

- Oversaw the delivery of approximately 750 education classes monthly
- Approved a monthly average of 127 applications for schools, instructors, and courses (2016 total = 1,535)**(16% increase in processed applications since 2015)**;
- Pearson VUE (ADRE’s testing vendor) held Subject Matter Expert Meetings with industry representatives to review real estate examination content;
- Volunteer Monitors completed approximately **150** Volunteer Monitor Reviews. The volunteer monitor reviews assist ADRE in monitoring the many prelicensure and continuing education courses;
- Issued two (2) Information Alerts to schools to ensure effective communications;
- The Education Advisory Committee’s 14 members held 3 public meetings at ADRE;
- One education staff employee averaged no more than 3 “pending” applications each month. **(Decreased the average number of pending applications by 50% since 2015)**; and
- Pearson Vue administered approximately 12,326 license examinations, which includes retakes.

LICENSING

- Processed over 6,900 new real estate license applications;
- Usage of the On-line Original license application, which allows a new license applicant to be licensed within 24 hours or less of passing the real estate licensing exam, is up to 83% since implementation (Online process includes application, approval, fee payment);
- Processed over 12,000 incoming messages in the Online Message Center System where the majority of the messages consist of all licensing application types, including processing of online payments **(20% increase in number of messages processed since 2015)**;
- Licensing staff employees averaged 0 “pending” applications each month end; and
- Assisted approximately 6,039 walk-ins at the Licensing Front Counter.

DEVELOPMENT SERVICES

- Development Services staff issued approximately 643 public reports. **(Increased the number of public reports issued by nearly 13% since 2015)**;
- Development Services staff averaged less than 26 pending applications each month;
- Approximately **208** development inspections, as required by statute, were conducted;
- Held three Learn and Lunch events for the Builder/Developer community and their title representatives as partners to foster sharing of information and transparency around development services that ADRE provides and/or guest speaker appearances from other organizations or government entities; and
- Average days to issue an expedited Public Report Filing have decreased from 6 days in January 2016 to less than 3 days in December 2016. Average days to issue an Amended



Public Report have decreased from just over 8 days in January 2016 to 5 days in December 2016. Just as impressive as reaching this goal is that as of December 2016 average processing time for these reports has been maintained.

AUDITING and INVESTIGATION DIVISION

Throughout Calendar Year 2016, the Division’s Auditors and Investigators were actively involved in Breakthrough Projects through the Lean Process. The goal of each Breakthrough Project was to decrease the amount of processing time from opening to closing of specified files.

The Auditing and Investigation Division is staffed by three (3) Investigators, four (4) Auditors, an Administrative Assistant and a Division Manager.

Real Estate Investigations	As of 12/31/2015	As of 12/31/2016	% of Increase / Decrease
Open Pending Cases	63	27	-57%
New Cases Received During Year	737	728	-1%
Cases Closed During Year	721	762	+6%
Average Age of Open Cases (Calendar Days)	40	25	-37%
Average Case Closure (Calendar Days) (All Files)	33	6	-81%
<i>Average Case Closure for Cases Requiring Full Investigation (Goal: 38 calendar days)</i>	57	25	-56%

The Breakthrough Project for Investigations was to decrease the processing time for complaints requiring further investigation. This process includes notifying the licensees of the complaint filed, obtaining responses and transaction records from licensees and their broker, as well as identified witnesses, and analysis of the documentation submitted to determine if evidence exists to support the allegation and warrant action against a licensee.

The goal of the Investigators’ Breakthrough Project was to decrease the amount of time to process “Investigate Further” cases to an average of 38 days by December 31, 2016. A total of 350 complaints were determined to be “Investigate Further” cases. Through the Lean Process, the Investigative staff decreased the amount of time to process “Investigate Further” cases from an average of 53 days in January 2016 to an average of 25 days in December 2016. The goal was initially met in May 2016 and sustained throughout the remainder of the year.

Complaints filed involving allegations that do not fall within the Department’s jurisdiction, such as Landlord/Tenant Disputes, Commission Disputes between Licensees, etc., are addressed through a Complaint Review Process with notification to the complainant of the reason for the case being closed. Although not part of the Investigations Breakthrough Project, the Investigators reduced the amount of

time to process Complaint Reviews from an average of seven (7) days as of December 31, 2015 to an average of two (2) days as of December 31, 2016.

Auditing	As of 12/31/2015	As of 12/31/2016	% of Increase / Decrease
Open Pending Cases	85	54	-36%
New Cases Received During Year	428	485	+13%



Cases Closed During Year	372	517	+39%
Average Age of Open Cases (Calendar Days)	49	22	-55%
Average Case Closure (Calendar Days) (All Files)	33	41	+24%
<i>Average Case Closure for Cases Referred to Enforcement and Compliance (Goal: 58 calendar days)</i>	57	27	-43%

The Breakthrough Project for Auditing was to decrease the processing time for Audits from initiation to Referral to the Department’s Enforcement and Compliance Division (“E & C”) for possible disciplinary action against the designated broker due to statute and rule violations found during the audit.

The goal of the Auditors’ Breakthrough Project was to decrease the amount of time to process Audits referred to E & C for possible disciplinary action to an average of 58 days by December 31, 2016.

Through the Lean Process, the Auditing staff decreased the amount of time to process Referrals to E & C files from an average of 102 days in January 2016 to an average of 27 days in December 2016. The goal was initially met in May 2016 and sustained through the remainder of the year.

During CY 2016, the Auditors completed 369 Onsite Audits, including 32 Branch Office locations; 55 Electronic Broker Audit Reviews (EBARs) and 93 Compliance Reviews of designated brokers under disciplinary orders with the Department. 99 audit files were found to contain evidence of violations warranting referral to E & C.

<u>Subdivision Investigations</u>	<u>As of 12/31/2015</u>	<u>As of 12/31/2016</u>	<u>% of Increase / Decrease</u>
Open Pending Cases	1	2	+50%
New Cases Received During Year	29	46	+59%
Cases Closed During Year	28	45	+61%
Average Age of Open Cases (Calendar Days)	26	35	+35%
Average Case Closure (Calendar Days) (All Files)	25	2	-92%

Although the completion of Investigations involving Subdivision related cases is tracked separately for the purposes of Department statistics, Subdivision related cases requiring Further Investigation were included in the Investigators’ Breakthrough Project. A total of 29 Subdivision related complaints were received in CY 2016. Only ten (10) files required Further Investigation. Through the Lean Process, the Investigators reduced the processing time from 84 days in February 2016 to 34 days in September 2016.

ENFORCEMENT & COMPLIANCE DIVISION (E&C)

2016 saw new E & C cases increase 77.4% over 2015. The principal reason for the increase was the number of criminal convictions disclosed by new and renewing applicants. Even though the case load increased significantly in 2016, the number of cases closed continued to be more than the number of new cases received. The time needed to close a case dropped from an average of 70.9 days to 52.1 days. Throughout the year, E&C continued to effectively and efficiently process cases while maintaining the Department’s emphasis on consistent and fair disciplinary actions based on proven violations.



Enforcement	As of 12/31/2015	As of 12/31/2016	Increase / Decrease
Open Cases	46 ⁽¹⁾	32	-30.43%
In House	26 ⁽¹⁾	17	-34.61%
AGO	20	15	-25.00%
New Cases (Year-includes multiple respondents)	244	433	77.45%
Closed Cases (Year-includes multiple respondents)	252 ⁽¹⁾	447	77.38%
Average Age of Open Cases (Days)	105	124	18.1%
Average Case Closure (Days)	70.9 ⁽¹⁾	52.1	-26.5%

2016 Enforcement Actions	
Accelerated Settlement Agreement	135
Consent Order	249
Commissioner's Final Order	51
Cease & Desist Order	19
Advisory Letter Of Concern	51
License Granted after Review	70
Case Dismissed/Closed after Review	61
Case return for additional investigation	11
Surrender of License in lieu of hearing	19

There was a significant increase in cases referred for Compliance during 2016. The increase was primary due to the Department issuing a larger number of provisional licenses than in years past. Original and renewing applicants that disclose criminal convictions may, after proper vetting, be issued 2 year provisional license during which time they are monitored by Compliance. Compliance continued to receive new and monitor existing Property Management cases. Working directly with the Department's Auditing Division, Compliance ensures that Property Management Trust Accounts are fully funded and all required reconciliations are performed.

Compliance	As of 12/31/2015⁽¹⁾	As of 12/31/2016	Increase / Decrease
Open Cases	228 ⁽¹⁾	282	23.7%
New Cases	101 ⁽¹⁾	222	119.8%
Closed Cases	70 ⁽¹⁾	167	138.6%
Referred for Further Action/Noncompliance	0	2	---

⁽¹⁾Revised 2015 numbers

