

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Board should improve its complaint resolution process

Our Conclusion

Created in 1990, the Arizona Board of Appraisal (Board) regulates real estate appraisal in Arizona by licensing and certifying appraisers, registering appraisal management companies (AMCs) and property tax agents, investigating complaints, and issuing discipline for violations of board statutes and rules. The Board's complaint resolution process has several weaknesses that contribute to potentially untimely and/or inappropriate complaint resolution, such as insufficient documentation regarding some board decisions, delays in assigning complaints for contract investigations, and inadequate monitoring of complaints to ensure timely resolution. Although the Board has taken steps to improve its process, it should develop and implement policies and procedures to address these weaknesses. The Board should also comply with statutory requirements for registering AMCs and develop and implement policies and procedures for providing timely and complete complaint and disciplinary information to the public.



2013

Board resolves complaints—The Board is responsible for investigating complaints against appraisers, AMCs, and property tax agents and taking appropriate action, if necessary. This audit focused on complaints against appraisers, of which there were 163 in fiscal year 2012. After a complaint is received, the appraiser is notified and asked to respond to the complaint. The Board then conducts an initial review of the complaint to determine whether there has been a violation of board statutes or rules or whether additional investigation by a contract investigator is needed. The Board may also hold informal or formal hearings to resolve complaints. The Board may dismiss complaints if no violations have been found or take nondisciplinary or disciplinary action depending on the severity of the violations.

Complaint resolution process has weaknesses—We identified several weaknesses in the Board's complaint resolution process that contribute to potentially untimely and/or inappropriate complaint resolution:

- **Some board decisions not explained**—Under the Board's initial review process, all board members are responsible for reviewing the complaint and associated information. However, the Board does not generate documentation, such as an investigative report or detailed meeting minutes, that supports or explains the Board's decisions to proceed with additional investigation or move to resolve the complaint.
- **Complaints not assigned to contract investigators in a timely manner**—Board staff estimated that the Board referred about 30 to 40 percent of complaints to contract investigators for additional investigation. We reviewed 13 such complaints and found that it took a median time of 252 days to assign them to contract investigators. Although board staff said funding reductions and staff vacancies caused the delays, these reasons may not account for all of the delays.
- **Concerns regarding quality of some contract investigations raised**—Both the public and board members have raised concerns at board meetings about the quality of some investigative reports prepared by contractors. Additionally, concerns regarding investigation quality were raised by appraisers and/or the Board in 2 of the 13 complaints we reviewed that were referred for contract investigation.
- **Execution of consent agreements and nondisciplinary letters sometimes untimely**—The Board may offer consent agreements or issue nondisciplinary letters, which appraisers sign to demonstrate acceptance of proposed disciplinary or nondisciplinary terms without going to a formal hearing. However, it can sometimes take several months for the Board to execute an agreement or letter.
- **Complaint resolution timeliness not adequately monitored**—The Board monitors complaints that have not been resolved within 12 months, the time frame recommended for resolving complaints by the Appraisal Subcommittee, a federal organization that reviews states' compliance with federal appraisal laws and regulations. However, the Board does not monitor complaint timeliness prior to that point, and the Appraisal Subcommittee's 2010 and 2012 compliance reviews found that the Board did not resolve all complaints within 12 months. Additionally, 12 of the 28 complaints we reviewed were not resolved within that time frame.

Board inappropriately dismissed two complaints—The Board took nondisciplinary or disciplinary action when it found violations in most of the 28 complaints we reviewed, but it inappropriately dismissed 2 related complaints where minor violations were found. These dismissals were not consistent with board rules, which require the Board to take nondisciplinary or disciplinary action if violations are found.

Board taking steps to improve, but additional action needed—In December 2012, the Board began using one of its contract investigators to investigate complaints and prepare investigative reports prior to the Board's initial review. Although this change helps address some weaknesses in its complaint resolution process, the Board should develop and implement policies and procedures to address the various process weaknesses.

Recommendations

The Board should:

- Develop and implement policies and procedures to address the various weaknesses in its complaint resolution process, and
- Ensure appropriate nondisciplinary or disciplinary action is taken when violations are found.

Board should comply with statutory requirements for registering AMCs

Statute requires AMC owners and officers to submit to a background investigation when applying for registration. However, the Board is not enforcing this requirement because the Federal Bureau of Investigation and the Arizona Department of Public Safety declined to process fingerprint cards for the background investigations since statute does not authorize the Board to receive criminal history reports for AMC applicants. The Board has proposed legislation during the 2013 legislative session to address this issue.

In addition, statute requires each AMC to annually certify that it has systems in place to verify that appraisers are licensed or certified, review the quality of appraisals, train AMC staff in selecting appropriate appraisers, and maintain records for each appraisal request. Although the Board requires these certifications at the biennial registration, it does not require them annually. The Board intends to seek legislation that would revise statute to require the certifications to be made consistent with the renewal period rather than annually.

Recommendations

The Board should:

- Require new AMC applicants and existing AMC registrants to submit to background investigations if the Legislature revises statute to authorize the Board to receive criminal history reports, and
- Require AMCs to file annual certifications until statutory changes permit this to be done only at renewal.

Board should provide timely and complete complaint and disciplinary information

Although the public should have access to timely and complete information regarding an appraiser's complaint and disciplinary history, board staff responses to our requests for such information were not timely and/or complete. Board staff lack adequate procedures that would assist in providing this information. Therefore, we recommended that the Board develop policies and procedures and train staff accordingly.

Recommendations

The Board should develop and implement written policies and procedures to provide timely and complete information and train staff on the new policies and procedures.