



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

Douglas A. Ducey
Governor

Arizona Real Estate
Advisory Board

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Commissioner

February 10, 2016

Dear Governor Ducey,

Thank you for allowing me to have served as the Department of Real Estate Advisory Board Chairman in 2015; it has been a true honor. Please use this as my formal evaluation pursuant to A.R.S. § 32-2104 (F).

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."

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 80,000 licensees, this information supports the Commissioner's approach to issues that affect the industry and consumers.

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

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 who met licensing requirements by an equivalent alternative.

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

I look forward to the continued success of the Advisory Board and Commissioner Lowe for 2016.

Respectfully,

Kimberly S. Clifton
2015 Chairman ADRE Advisory Board

Cc: Kirk Adams



ARIZONA DEPARTMENT OF REAL ESTATE (ADRE) Summary of Accomplishments Calendar Year (CY) 2015

In CY2015, 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 following reflects the CY 2015 individual division accomplishments:

✓ **COMMISSIONER'S OFFICE:**

- Collaboration with the Government Transformation Office (GTO) to implement a LEAN Management culture within the ADRE;
- Leadership staff attended LEAN Trainings on implementing private sector efficiencies into government processes;
- 83% of all ADRE eligible staff "Meeting Expectations" or "Exceeding Expectations" in FY 2015;
- 100% of ADRE staff is uncovered employees; and
- Reduced annual ISA with Central Services Bureau (CSB) by over 30% by returning many accounting functions to ADRE, with no increase in staffing.

✓ **BUSINESS SERVICES DIVISION:**

- Digital Document Storage
 - Completed the digitization of all legacy licensing hard copy files (Nearly 100,000 files) which created an availability of approximately 1,800 sq. feet;
 - Increased access for the regulated community, the public and ADRE staff to electronic documents and records through this digitizing project;
 - Continued the digitization of hard copy files in the Investigations Division and Subdivision/Builder Services Division; and
 - Reduced the annual ISA with Records Management Center (RMC) through digitization and creating a sustainable workflow to continue digitizing in Licensing and Investigations.
- Successfully transitioned the agency to Arizona's new accounting system (New- AFIS) through ADOA's BREAZ rollout;
- Increased storage space in file room and agency through surplus of slotted shelving and purchase of durable storage shelving to store office supplies and other goods;
- Completed a 2015 revision/update of the Operations Manual, including processes for all functions of Business Services;
- Completed two Departmental financial audits with minimal deficiencies (Auditor General and GAO). As a result, strengthened the Department's internal control environment;
- Increased utilization and organization of SharePoint documents management for all Business Services operations; and
- Completed a 2015 revision/update of the script for "HUB" staff to utilize for frequently asked real estate questions through the telephone and Message Center. This script was shared with all department employees to assist agency employees to speak from one voice.



✓ **INFORMATION TECHNOLOGY**

- Continued development of “Realm 2” with enhanced features to streamline the internal system to manage caseload and data;
- Created Investigations and Enforcement and Compliance areas of the new Realm 2 License Management System;
- Installed new agency firewall, greatly improving internal network performance and enhancing security; and
- Implemented the Licensing Division Kiosk system with scanner for consumer use.

✓ **EDUCATION DIVISION**

- Oversaw the delivery of approximately 700 education classes monthly;
- Approved a monthly average of 110 applications for schools, instructors, and courses (2015 total = 1320), including processing of online payments; **(9% increase in processed applications since 2014)**
- Pearson VUE (ADRE’s testing vendor) held Subject Matter Expert Meetings with industry representatives to review real estate examination content;
- A Prelicensing Education Stakeholder committee analyzed and provided input on State Specific and National examination performance;
- Established Instructor Professional Development guidelines to inform the regulated real estate education industry of the Department’s interpretation and implementation of the education statutes and rules under the Department’s original jurisdiction, through establishment of instructor professional development requirements;
- Volunteer Monitors completed approximately **224** Volunteer Monitor Reviews. The volunteer monitor reviews assist ADRE in monitoring the many prelicensure and continuing education courses; **(25% increase in volunteer monitor reviews completed since 2014)**
- Reviewed over 215 Real Estate School Self-Audit Declarations as required to ensure compliance of statutes, rules and policies;
- Issued three (3) Information Alerts to schools to ensure effective communications;
- The Education Advisory Committee’s 14 members held 3 public meetings at ADRE; and
- Two education staff employees averaged no more than 6 “pending” applications each month. **(Decreased the average number of pending applications by over 60% since 2014)**

✓ **LICENSING**

- Processed over 6,000 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 80% since implementation (Online process includes application, approval, fee payment);
- Processed over 10,000 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;
- Licensing staff employees averaged 0 “pending” applications each month end; and
- Assisted approximately 6,245 walk-ins at the Licensing Front Counter.



✓ **DEVELOPMENT SERVICES**

- Development Services staff issued approximately 567 public reports. **(Increased the number of public reports issued by nearly 12% since 2014).**
- Development Services staff averaged less than 17 pending applications each month. **(Decreased the average number of pending applications by 17% since 2014)**
- Approximately **343** development inspections, as required by statute, were conducted.
- Established a quarterly Learn and Lunch venue 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
- In January 2015, ADRE staff in the Development/Builder Services Division completed a LEAN project to reduce processing time for Public Report Amendments from 11 days to 4 days. Just as impressive as reaching this goal is that as of January 2016 average processing time for this report has been maintained.

✓ **INVESTIGATION and AUDITING DIVISION**

✓ **Auditing and Investigation Division Accomplishments – 2015**

During CY2015, the Division’s Auditors and Investigators continued to work together to increase Auditing activities throughout the state by working as Auditing Teams.

<u>Real Estate Investigations</u>	<u>As of 12/31/2014</u>	<u>As of 12/31/2015</u>	<u>Increase / Decrease</u>
Open Pending Cases	44	63	43.18%
New Cases Received During Year	760	737	-3.03%
Cases Closed During Year	765	721	-5.75%
Average Age of Open Cases (Days)	40	40	0.00%
Average Case Closure (Days)	43	33	-23.26%

As of December 31, 2015, the Division had 63 pending real estate investigations with an average completion timeframe of 33 days. Current staffing is 3 investigators.

<u>Auditing</u>	<u>As of 12/31/2014</u>	<u>As of 12/31/2015</u>	<u>Increase / Decrease</u>
Open Pending Cases	27	85	214.81%
New Cases Received During Year	587	428	-27.09%
Cases Closed During Year	607	372	-50.25%
Average Age of Open Cases (Days)	35	49	40.0%
Average Case Closure (Days)	40	33	-17.5%

As of December 31, 2015, Division Auditors conducted and/or completed 462 onsite audits (both sales and property management); 29 electronic broker audit reviews (EBARs); 3394 broker audit declarations



processed; and, 13 compliance quarterly reviews of Brokers under a Commissioner’s Order relating to property management trust accounts.

As of December 31, 2015, Division Auditors completed 428 Audit files with an average completion timeframe of 33 days. Current staffing is 4 auditors.

<u>Subdivision Investigations</u>	<u>As of 12/31/2014</u>	<u>As of 12/31/2015</u>	<u>Increase / Decrease</u>
Open Pending Cases	1	1	0.00%
New Cases Received During Year	37	29	-21.62%
Cases Closed During Year	38	28	-26.32%
Average Age of Open Cases (Days)	22	26	-18.18%
Average Case Closure (Days)	37	25	-32.43%

The majority of Subdivision complaints received during CY2015 concerned contract disputes, which is not within the jurisdiction of the Department.

Additionally, the Auditing and Investigation Division continues to employ 1 Administrative Assistant, with duties shared with the Enforcement and Compliance Division.

- Again, reduced the average calendar days from receipt of real estate or subdivision complaint to resolution by another 32% from FY 2014 to FY 2015.
- The ADRE completed 491 in-field and EBARs in CY2015. To date for FY 2016, ADRE has completed 278 in-filed audits, 19 EBARs, for a total of 297 audits.

✓ **ENFORCEMENT & COMPLIANCE DIVISION (E&C)**

Enforcement & Compliance (“E&C”) Division Accomplishments – 2015

During CY2015, E&C continued to effectively and efficiently process cases, with a continued emphasis on consistent and fair disciplinary actions based on proven violations. The number of cases closed continued to be more than the number of new cases received. Additionally, E&C continued to work directly with the Arizona Attorney General’s office to decrease the number of cases for further disciplinary proceedings.

<u>Enforcement</u>	<u>As of 12/31/2014</u>	<u>As of 12/31/2015</u>	<u>Increase / Decrease</u>
Open Cases	51	66	29.41%
In House	23	46	100.00%
AGO	29	20	-31.03%
New Cases (Year-includes multiple respondents)	239	244	2.09%
Closed Cases (Year-includes multiple respondents)	247	346	40.08%
Average Age of Open Cases (Days)	139	105	-24.46%
Average Case Closure (Days)	71	60	-15.50%



Cases referred for Compliance increased from 2014 to 2015. Compliance, regarding Property Management cases requiring review, continued to work directly with the Department's Auditing Division to monitor compliance with maintaining proper Property Management Trust balances.

<u>Compliance</u>	<u>As of</u> <u>12/31/2014</u>	<u>As of</u> <u>11/30/2015</u>	<u>Increase /</u> <u>Decrease</u>
Open Cases	197	228	15.74%
New Cases	88	101	14.77%
Closed Cases	94	70	-25.53%
Referred for Further Action/Noncompliance	8	0	-100.00%

✓ **LEGISLATIVE**

- Completed a Five-year rule review in February 2015 which included the repeal of R4-28-405 which codified the statutory repeal of the Business Broker Designation.
- Completed an evaluation of the department's rules as prescribed by Executive Order 2015-01. The department solicited feedback from the real estate industry and has posted the evaluation to the department's website for the industry and public to view.
- Developed a legislative proposal to eliminate unnecessary regulation for Real Estate Brokers and Salespersons. The proposal was introduced in January 2016 as SB 1093 Real estate licenses; broker possession.