

## Arizona Department of Insurance and Financial Institutions

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 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

### Audit purpose

To determine whether the Department took appropriate and consistent remedial action against licensees that violated insurance and financial regulations, monitored the use of Arizona Automobile Theft Authority (ATA) grants to ensure compliance with statutory and grant requirements, and complied with State conflict-of-interest requirements; and provide responses to the statutory sunset factors.

### Key findings

The Department:

- Is statutorily responsible for regulating the insurance industry, financial institutions such as banks and credit unions, and financial service professionals and/or business entities, such as collection agencies, mortgage brokers, and loan originators; and distributing ATA Fund monies intended to deter automobile theft.
- Issued initial and renewal insurance producer licenses we reviewed to qualified applicants within applicable time frames required by rule and improved its process for prioritizing insurance fraud referrals for investigation.
- Inconsistent with recommended practices, did not always consider licensees' violations history when determining enforcement actions for some violations, including deceptive practices and untrustworthiness, and did not consistently follow up to ensure violations were corrected, increasing the risk of future violations and public harm.
- Lacked documentation explaining how it determined its enforcement actions for some insurance licensee violations we reviewed, increasing the risk of treating licensees unequally and of facing allegations of unequal treatment.
- Did not comply with some State conflict-of-interest requirements or fully align its conflict-of-interest processes with recommended practices, increasing the risk that employees and board/committee members did not disclose substantial interests that could influence or affect their official conduct.
- Did not monitor recipients' use of ATA Fund monies to ensure they were used for authorized purposes, including \$4.5 million appropriated to the Arizona Vehicle Theft Task Force in fiscal year 2023.

### Key recommendations

The Department should:

- Develop and implement policies and procedures consistent with recommended practices for all license types, including requirements to consider licensee history, follow up to ensure violations are corrected, and document how it determined enforcement actions.
- Revise and implement its conflict-of-interest policies and procedures to align with all State requirements and recommended practices.
- Ensure ATA Fund monies are used for authorized purposes.