



# **FIVE YEAR STRATEGIC PLAN FY 2016-FY 2020**

## **Arizona Department of Financial Institutions**



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Interim Superintendent



# Table of Contents

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**Mission Statement .....3**

**Agency Description .....3**

**Strategic Issues and Strategies .....3**

**Issue #1 Modernize the Agency’s Information Technology system for efficiency, accuracy, and while providing the confidentiality required in the Financial Industry.....3**

**Issue #2 Meeting the requirements to conduct statutory examinations of Banks, Credit Unions, and Non-Depository Licensees. ....3**

**Issue #3 Retaining, attracting, and educating key Agency personnel .....4**

**Issue #4 Integrate Board of Appraisal functions into DFI operations .....4**

**Resource Assumptions .....4**

## **MISSION STATEMENT:**

To license, examine, and supervise Financial Institutions, in compliance with State law, to ensure safety for the Arizona consumer and soundness for the Arizona business.

## **AGENCY DESCRIPTION:**

The Department of Financial Institutions (“DFI”) licenses, supervises, and regulates state chartered financial institutions and enterprises to ensure the safety and soundness of these financial entities, and verify compliance with state and federal laws. DFI also serves Arizona citizens by investigating complaints that are filed by consumers against licensed individuals and entities and applies appropriate remedial action when the violations are substantiated.

## **STRATEGIC ISSUES & STRATEGIES:**

### **ISSUE #1: Modernize the Agency’s Information Technology system for efficiency, accuracy, and while providing the confidentiality required in the Financial Industry.**

**Description:** The Agency is currently dependent on a database that has been in use since 1996. The system is slow, antiquated and generally behind the technology used by all licensed industries for DFI. Licensing records are maintained in a hard copy format. Due to the system weaknesses, current work practices involve many undocumented “shadow” systems for tracking work items and creating reports. The current system does not support efficient processes or allow for web based applications.

- Strategies:**
- 1.1** Continue to document, standardize, and streamline work processes throughout the Agency.
  - 1.2** Purchase and implement an information management system.
  - 1.3** Implement an e-Licensing system
  - 1.4** Implement web based services where applicable.

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### **ISSUE #2: Meeting the requirements to conduct statutory examinations of Banks, Credit Unions, and Non-Depository Licensees.**

**Description:** The Department continues to face appropriated funding shortfalls, based on the resources required to perform the number of examinations and other regulatory activities required by Arizona statutes. DFI’s revenue streams come exclusively from Arizona financial industry sources (i.e., licensing, examination, and annual assessments). The revenue generated from banks, credit unions, and licensees’ fees and assessments should be used to underwrite the Department's operations. The intensifying complexities of the licensed industries and the increasing number of licensees have significantly out-paced funds provided to DFI for coverage of required examinations.

- Strategies:**
- 2.1** The Agency will continue to pursue the self-funding structure to provide a better resource allocation structure.
  - 2.2** Continue to establish efficiencies and conduct limited scope or electronic examinations to the extent possible.
  - 2.3** Continue to supplement the examiner staff, by utilizing qualified contractors to augment examination teams.

**ISSUE #3: Retaining, attracting, and educating key Agency personnel.**

**Description:** The Agency has been unsuccessful in its past efforts to obtain additional funding to provide examiners and other key personnel, promotional opportunities and more competitive salaries. In addition, although ongoing professional development is necessary for DFI staff to support the financial industry, lack of funding for affordable training has prevented DFI staff from obtaining timely and effective training programs to advance their knowledge base and career path. Examiner turnover causes inefficiencies and can reduce DFI effectiveness, but experienced examiners are easily recruited elsewhere with higher salaries. Retention of trained and experienced examiners is essential to the overall effectiveness of the Department's examination and supervisory responsibilities. With properly trained personnel, efficiencies can be met, employee satisfaction improves, and attracting replacement staff is more successful.

- Strategies:**
- 3.1** The Agency will seek funding for all promotional opportunities when earned.
  - 3.2** Provide tiered career laddering in all departments within the Agency.
  - 3.3** Pursue all appropriate training strategies within budget confines.
  - 3.4** Develop and implement all aspects of the Performance Management and Compensation Pay Systems.

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**Issue #4: Integrate Board of Appraisal functions into DFI operations.**

The FY 2016 Agency Consolidation Budget Reconciliation Bill (Laws 2015, Chapter 19) merged the State Board of Appraisal into DFI effective July 3, 2015. Under the merged entity, a separate Real Estate Appraisal Division was established and the Real Estate Appraisal Fund (formerly the Board of Appraisal Fund) retained its 90/10 funding structure.

- Strategies:**
- 4.1** Review Real Estate Appraisal Division functions for efficiencies and integrate into other DFI divisions if possible.
  - 4.2** Continue to pursue a self-funding structure, including the elimination of the current 90/10 structure of the Real Estate Appraisal Fund

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**RESOURCE ASSUMPTIONS:**

<b>Resource Assumptions - Agency Level (In Thousands)</b>					
	<b>FY 2016 Appropriation</b>	<b>FY 2017 Budget Request</b>	<b>FY 2018 Estimate</b>	<b>FY 2019 Estimate</b>	<b>FY 2020 Estimate</b>
FTE Positions	69.1	69.7	71.7	73.7	77.1
General Fund	3,008.0	3,644.4	3,794.4	3,944.4	4,094.4
Other Appropriated Funds	2,279.1	2,143.2	2,293.2	2,443.2	2,593.2
Non-Appropriated Funds	1,797.2	917.8	877.8	877.8	877.8
Federal Funds	-0-	-0-	-0-	-0-	-0-
Total Agency Funds	7,084.3	6,705.4	6,965.4	7,265.4	7,565.40