

PERFORMANCE AUDIT  
Licensing Real Estate Professionals  
Board of Realty Regulation  
Department of Labor and Industry

JANUARY 2016

15P-01

REPORT SUMMARY

Montana's 5,000 real estate professionals have been affected by recent changes in how the Department of Labor and Industry and the Board of Realty Regulation operate. Both the department and the board need to make improvements to address problems with license applications, continuing education requirements, fees and funding, data accuracy, and decision-making.

## Context

Montana regulates the practice of various professions and occupations through licensing boards. All boards are administratively attached to the Department of Labor and Industry (DLI).

The Board of Realty Regulation (BRR) is responsible for regulating the state's real estate sales and rental industry and licensing real estate professionals doing business in real estate within the state of Montana. Licensees consist of nearly 5,000 active salespersons, brokers, property managers, and timeshare salespersons. The BRR is administratively attached to DLI, which provides all the administrative, legal, and clerical services needed by the BRR, including corresponding with applicants and licensees; receiving and processing routine applications for licenses; issuing and renewing routine licenses; disciplining licensees; setting administrative fees; preparing agendas and meeting notices; conducting mailings; taking minutes of board meetings and hearings; and filing.

There are currently 33 professional and occupational boards and two programs administratively attached to DLI. DLI has undergone a number of changes since 2012, which has had an impact on the professional and occupational licensing boards. Specifically, the

Business Standards Division (BSD) underwent a major reorganization in the summer of 2012. This shift removed staff from individual boards and implemented a "pool" system, in which groups of employees were placed within BSD's bureaus to perform similar functions for many boards. Effectively, staff was refocused from having a large amount of knowledge related to a single board to focusing on certain tasks for a larger number of boards. This change, along with a new board licensing database within the BSD in 2012, led to a number of changes that have had an effect on DLI staff and the BRR.

## Results

Audit work found several concerns involving pre-licensure and continuing education, a lack of policies and procedures, unused and outdated forms and applications, licensee/supervisor relationships, BRR-related fees, and the Real Estate Recovery Account, all of which has led to a number of factors affecting the BRR in recent years. Audit recommendations to the BRR include:

- ◆ Review and modify the state real estate exam.
- ◆ Better define the nonroutine application policy.

- ◆ Establish and follow waiver application criteria.
- ◆ Review the potential for reciprocity agreements.
- ◆ Eliminate or edit unused forms and applications.
- ◆ Establish salesperson limits for supervising brokers.
- ◆ Review the criteria for annual continuing education audits.
- ◆ Review BRR-related fees.
- ◆ Review and update BRR rules and laws.
- ◆ Increase the visibility of the Real Estate Recovery Account.
- ◆ Review BRR's website for accuracy and content.
- ◆ Create and implement a biennial work plan.

Audit work also found DLI needs to strengthen its board licensing database, comply with BRR-related laws and rules, and notify and report DLI goals and results to the BRR. Audit recommendations to DLI include:

- ◆ Comply with all BRR-related laws and rules.
- ◆ Establish more data entry controls within the board licensing database.
- ◆ Implement stronger internal controls in regard to licensee relationships within the board licensing database.

- ◆ Sync board licensing database records and eBiz profiles.
- ◆ Identify performance standards for administrative processes and regularly report results at BRR meetings.
- ◆ Establish priorities for the BRR executive officer to ensure the board is provided with consistent and updated information.

Recommendation Concurrence	
Concur	6
Partially Concur	1
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (15P-01) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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