

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Money Transmitter License
3 of:

No. 08F-BD030-BNK

CONSENT ORDER

4 **INTEGRATED PAYMENT SYSTEMS, INC.**
5 12500 E. Belford Avenue, M18U
6 Englewood, CO 80112

Petitioner.

7 On January 7, 2008, the Arizona Department of Financial Institutions (“Department”) issued
8 a Notice of Hearing, alleging that Petitioner had violated Arizona law. Wishing to resolve this
9 matter in lieu of an administrative hearing and without admitting liability, Petitioner does not contest
10 the following Findings of Fact and Conclusions of Law, and consents to the entry of the following
11 Order.

12 **FINDINGS OF FACT**

13 1. Petitioner Integrated Payment Systems, Inc. (“Integrated”) is a Delaware corporation
14 authorized to transact business in Arizona as a money transmitter, license number MT 0014347,
15 within the meaning of A.R.S. §§ 6-1201, *et seq.* The nature of Integrated’s business is that of a
16 money transmitter within the meaning of A.R.S. § 6-1201(11).

17 2. An on-site examination of Integrated, conducted by the Department from February 5 to
18 February 8, 2007, and examinations of Integrated’s authorized delegates conducted from March 19
19 to March 29, 2007, revealed that Integrated:

20 a. Failed to provide its authorized delegates with operating policies and procedures
21 sufficient to permit compliance by the delegate with the provisions of Title 13,
22 Chapter 23, Title 6, Chapter 12, and all of the applicable administrative rules,
23 specifically:

24 i. Failed to include in the authorized delegates’ files a current copy of Title 6,
25 Chapter 12 as part of its contracts with its authorized delegates. Twenty three
26 (23) authorized delegates failed to have an appendix copy of the statutes in

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- their files; and
- ii. The policies and procedures provided to the Department's Examiner do not reflect the following requirements: transactions of one thousand dollars (\$1,000.00) or greater, record keeping, sending copies of Suspicious Activity Reports ("SARs") to the Arizona Attorney General's Office, Arizona money laundering violation information, and the transaction records to the Arizona Attorney General after three (3) years;
- b. Failed to report the termination of authorized delegate locations during several quarters and maintain accurate records of its authorized delegates and location, specifically:
 - i. The list provided by Integrated at the time of the Exam still contained locations that were closed in February 2006 and were still listed as active with the Department; and
 - ii. Some locations had been issued multiple authorized delegate notices, and it appears that when an address change or correction is reported to the Department, it is being done as a new location and not a change or correction of an existing notice;
- c. Failed to maintain written records for every transaction involving the receipt of money from a customer which would permit the Superintendent to determine the identity of those employees of the licensee or authorized delegate who may have conducted the transaction;
- d. Failed to follow the same prescribed procedures and create and maintain the same prescribed records relating to each transaction, pursuant to the currency and foreign transactions reporting act (31 Code of Federal Regulations part 103), specifically:
 - i. Several authorized delegate locations had violations of this requirement;
- e. Failed to keep adequate records of customers' identities as required by Title 6,

1 Chapter 12 as it relates to transactions of one thousand dollars (\$1,000.00) or more,
2 specifically:

- 3 i. One of Integrated's authorized delegates failed to record the customers'
4 occupation or signature for all transactions; and
- 5 ii. One of Integrated's authorized delegates was not aware of the record keeping
6 requirements for transactions of one thousand dollars (\$1,000.00) or greater
7 and was using improper record keeping forms that did not have a place to
8 record all required information;

9 f. Failed to create records that reflect the provision of updated operating policies and
10 procedures pursuant to A.R.S. § 6-1208, subsection B and of instruction that
11 promotes compliance with this chapter, title 13, chapter 23 and 31 United States Code
12 section 5318, including the identification of the provider and the material and
13 instruction that were provided, specifically:

- 14 i. Integrated has not updated its policies and procedures to include the changes
15 to the Arizona transmitters of money statutes passed into law in 2002,
16 specifically:

- 17 1. The policies and procedures provided for the Examination make no
18 mention of the requirement to deliver the records created in relation to
19 transactions of one thousand dollars (\$1,000.00) or more to the
20 Arizona Attorney General's Office after three (3) years;
- 21 2. The policies and procedures provided for the Examination make no
22 mention of the requirement to send copies of any SARs regarding
23 transactions in Arizona to the Arizona Attorney General's Office; and
- 24 3. The policies and procedures provided for the Examination make no
25 mention of the specific requirements and violations of Arizona's
26 money laundering statutes, A.R.S. Title 13, Chapter 23; and

- 1 ii. Integrated has no records of Arizona-specific training for its employees or
2 authorized delegates;
- 3 g. Failed to deliver customer identification records or provide a retention letter to the
4 Arizona Attorney General's Office pursuant to the Department's Regulatory Bulletin,
5 MT-05-01, dated September 15, 2005; and
- 6 h. Failed to adequately supervise their authorized delegates, specifically:
- 7 i. Broadway Liquor, 405 E. Broadway, Mesa, AZ;
- 8 ii. Checkmate 550, 1250 N. Alma School #2, Chandler, AZ;
- 9 iii. Chandler Car & Truck Rental, 331 E. Chandler, Chandler, AZ;
- 10 iv. Payless Market, 398 S. Arizona Ave., Chandler, AZ;
- 11 v. Iselas Beauty Salon, 104 S. Oregon Street, Chandler, AZ;
- 12 vi. Dollar City Check Cashing, 427 N. 1st Street, Buckeye, AZ;
- 13 vii. Liquor Corral, 429 E. Monroe, Buckeye, AZ;
- 14 viii. Beard's Western & Country, 407 E. Monroe, Buckeye, AZ;
- 15 ix. Big K's Discount Market, 101 E. Monroe, Buckeye, AZ;
- 16 x. Sun Market, 11101 W. Buckeye, Avondale, AZ;
- 17 xi. LV Bulk Foods, 385 W. Township Avenue, Colorado City, AZ;
- 18 xii. Mr. Payroll, 1311 E. Butler, Flagstaff, AZ;
- 19 xiii. Mr. Payroll, 333 N. Grove, Prescott, AZ;
- 20 xiv. Mike's Mini Market, 924 W. Gurley Street, Prescott, AZ; and
- 21 xv. Quick Cash #895, 1333 Iron Springs, Prescott, AZ.

22 3. Based on the above findings, the Department issued and served upon Petitioner an Order
23 to Cease and Desist; Notice of Opportunity for Hearing; Consent to Entry of Order ("Cease and
24 Desist Order") on November 15, 2007.

25 4. On December 17, 2007, the Department received a "Request for 1) Informal Settlement
26 Conference 2) Hearing and 3) Answer to Order to Cease and Desist; Notice of Opportunity for

1 Hearing; Consent of Entry Order” from Petitioner to appeal the Cease and Desist Order.

2 **CONCLUSIONS OF LAW**

3 1. Pursuant to A.R.S. §§ 6-1201, *et seq.*, the Superintendent has the authority and duty
4 to regulate all persons engaged in the money transmitter business and with the enforcement of
5 statutes, rules, and regulations relating to money transmitters.

6 2. By the conduct set forth in the Findings of Fact, Integrated has violated the following:

7 a. A.R.S. § 6-1208(B), by failing to provide its authorized delegates with operating
8 policies and procedures sufficient to permit compliance by the delegate with the
9 provisions of Title 13, Chapter 23, Title 6, Chapter 12, and all of the applicable
10 administrative rules;

11 b. A.R.S. § 6-1211, by failing to report the termination of authorized delegate locations
12 during several quarters and maintain accurate records of its authorized delegates and
13 locations;

14 c. A.R.S. § 6-1215(B), by failing to maintain written records for every transaction
15 involving the receipt of money from a customer which would permit the
16 Superintendent to determine the identity of those employees of the licensee or
17 authorized delegate who may have conducted the transaction;

18 d. A.R.S. § 6-1241(D), by failing to follow the same prescribed procedures and create
19 and maintain the same prescribed records relating to each transaction, pursuant to the
20 currency and foreign transactions reporting act (31 Code of Federal Regulations part
21 103);

22 e. A.R.S. § 6-1241(E), by failing to keep adequate records of customers’ identities as
23 required by Title 6, Chapter 12 as it relates to transactions of one thousand dollars
24 (\$1,000) or more;

25 f. A.R.S. § 6-1241(G), by failing to create records that reflect the provision of updated
26 operating policies and procedures pursuant to section 6-1208, subsection B and of

1 instruction that promotes compliance with this chapter, title 13, chapter 23 and 31
2 United States Code section 5318, including the identification of the provider and the
3 material and instruction that were provided;

4 g. A.R.S. § 6-1241(I), by failing to deliver customer identification records or provide a
5 retention letter to the Arizona Attorney General's Office pursuant to the Department's
6 Regulatory Bulletin MT-05-01, dated September 15, 2005; and

7 h. A.R.S. § 6-1210(5), by failing to adequately supervise their authorized delegates who,
8 in turn, have violated A.R.S. §§ 6-1241(D), 6-1241(E), 6-1215(B), 6-1207(C) and the
9 Bank Secrecy Act.

10 3. The violations of applicable laws, set forth above, constitute grounds for: (1) the
11 issuance of an order pursuant to A.R.S. § 6-137 directing Petitioner to cease and desist from the
12 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time
13 prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,
14 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-
15 132; (3) the suspension or revocation of Petitioner's license pursuant to A.R.S. § 6-1210; and (4) an
16 order or any other remedy necessary or proper for the enforcement of statutes and rules regulating
17 money transmitters pursuant to A.R.S. §§ 6-123 and 6-131.

18 4. Pursuant to A.R.S. § 6-132, Petitioner's violations of the aforementioned statutes are
19 grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation for
20 each day.

21 **ORDER**

22 1. Petitioner shall immediately stop the violations set forth in the Findings of Fact and
23 Conclusions of Law.

24 2. Petitioner shall immediately pay to the Department a civil money penalty in the amount
25 of **thirty thousand dollars (\$30,000.00)**.

26 3. Petitioner has agreed to inform all of its authorized delegates that their AML Programs

1 must be comprehensive for the scope of each authorized delegate's business.

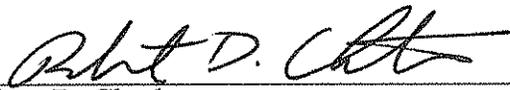
2 4. Petitioner shall provide the Department with a copy of the new authorized delegate
3 contracts which reference Title 6, Chapter 12 as an appendix to the contract.

4 5. The provisions of this Order shall be binding upon Petitioner, and resolves the Notice of
5 Hearing, subject to compliance with the requirements of this Order. Should Petitioner fail to comply
6 with this Order, the Superintendent shall institute further disciplinary proceedings.

7 6. The provisions of this Order shall be binding upon Petitioner, its employees, agents, and
8 other persons participating in the conduct of the affairs of Integrated Payment Systems, Inc.

9 7. This Order shall become effective upon service, and shall remain effective and
10 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated
11 or set aside.

12 SO ORDERED this 20 day of February, 2008.

13 
14 _____
15 Robert D. Charlton
16 Assistant Superintendent of Financial Institutions

17 **CONSENT TO ENTRY OF ORDER**

18 1. Petitioner acknowledges that it has been served with a copy of the foregoing Findings
19 of Fact, Conclusions of Law, and Order in the above-referenced matter, has read the same, is aware
20 of the right to an administrative hearing in this matter, and has waived the same.

21 2. Petitioner admits the jurisdiction of the Superintendent and consents to the entry of
22 the foregoing Findings of Fact, Conclusions of Law, and Order.

23 3. Petitioner states that no promise of any kind or nature has been made to induce it to
24 consent to the entry of this Order, and that it has done so voluntarily.

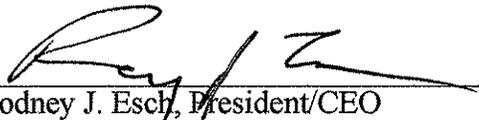
25 4. Petitioner acknowledges that the acceptance of this Agreement by the Superintendent
26 is solely to settle this matter and does not preclude this Department, any other agency or officer of
this state or subdivision thereof from instituting other proceedings as may be appropriate now or in

1 the future.

2 5. Rodney J. Esch, on behalf of Integrated Payment Systems, Inc., represents that he is
3 the President and Chief Executive Officer, and that, as such, has been authorized by Integrated
4 Payment Systems, Inc. to consent to the entry of this Order on its behalf.

5 6. Petitioner waives all rights to seek judicial review or otherwise to challenge or contest
6 the validity of this Consent Order.

7 DATED this 14th day of February, 2008.

8
9 By 
10 Rodney J. Esch, President/CEO
Integrated Payment Systems, Inc.

11 ORIGINAL of the foregoing filed this 20
12 day of February, 2008, in the office of:

13 Felecia A. Rotellini
14 Superintendent of Financial Institutions
15 Arizona Department of Financial Institutions
16 ATTN: Susan Longo
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

17 COPY mailed/delivered same date to:

18 Hon. Lewis Kowal
19 Administrative Law Judge
20 Office of the Administrative Hearings
1400 West Washington, Suite 101
Phoenix, AZ 85007

21 Erin O. Gallagher
22 Assistant Attorney General
23 Office of the Attorney General
1275 West Washington
Phoenix, AZ 85007

24 Robert D. Charlton, Assistant Superintendent
25 Stephen Rosenthal, Senior Examiner
26 Arizona Department of Financial Institutions
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

1 AND COPY MAILED SAME DATE by
2 Certified Mail, Return Receipt Requested, to:

3 Paul K. Charlton
4 GALLAGHER & KENNEDY, P.A.
5 2575 E. Camelback Rd.
6 Phoenix, AZ 85016-9225
7 Attorney for Petitioners

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