

AUDITS AND EXAMINATIONS

Because of the importance of trust fund handling, the Commissioner has an ongoing program of examining brokers' records. As necessary, audited licensees are made aware of deficiencies in trust fund handling and record keeping. If an audit discloses actual trust fund imbalances or money handling procedures which may cause monetary loss, appropriate disciplinary proceedings may be initiated.

Section 10148 of the Business and Professions Code provides that a real estate broker shall retain for three years copies of all listings, deposit receipts, canceled checks, trust records, and other documents executed by or obtained by the broker in connection with any transaction for which a real estate broker license is required. The retention period shall run from the date of the closing of the transaction or from the date of the listing if the transaction is not consummated. After notice, such books, accounts and records shall be made available for examination, inspection and copying by the Commissioner or a designated representative during regular business hours, and shall, upon the appearance of sufficient cause, be subject to audit without further notice, except that such audit shall not be harassing in nature.

SAMPLE TRANSACTIONS

To demonstrate the record keeping requirements discussed above, we have simulated trust account records for typical real estate transactions occurring over a thirty-day period. To set the stage, let us assume that James Adams, a real estate broker, owns and operates a one-man real estate office specializing in residential sales and property management. Broker Adams has one trust fund bank account. We will look at the trust account activity for this office for the month of May, **2013**.

The use of columnar records to record these transactions is illustrated in Exhibits 1 - 10 at the end of this publication. As previously discussed, a broker may use other types of records as long as they meet generally accepted accounting standards.

2013 TRANSACTIONS

May 1 Opened a trust account with First County Bank, and deposited \$100 of his own money to cover bank service charges.

May 1 Entered into agreements to manage the following rental properties:

<i>Address</i>	<i>Owner's Name</i>
a) 1538 South Ave. Anycity, CA	T. Eddie
b) 3490 Tower St. Anycity, CA	L. Stewart
c) 9152 High Way Anycity, CA	W. Allen
d) 2351-2353 Kingstone Way Anycity, CA	S. Manly
e) 7365 Meadow Circle Anycity, CA	J. Bird