Department of Professional and Occupational Regulation

REAL ESTATE FIRM/SOLE PROPRIETORSHIP AUDIT

The Principal Broker/Sole Proprietor or Supervising Broker is required to audit the operations, policies and procedures of the firm/sole proprietorship or cause to have an audit conducted of its operations, policies and procedures at least once during each licensure term. This audit is to assure compliance with the provisions of Chapter 21 of the *Code of Virginia* and the Real Estate Board's regulations. The completed audit form must be signed by the Principal Broker/Sole Proprietor or Supervising Broker of the firm/sole proprietorship and **shall be kept on the premises of the firm or sole proprietorship**. This form shall be produced for inspection or copying upon request of an authorized agent of the Real Estate Board. This audit does not preclude a random inspection of the firm/sole proprietorship and the Real Estate Board may use the information in the completed audit when conducting an inspection.

All *NO* answers require further explanation on page 5.

FIRM/SOLE PROPRIETORSHIP NAME: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

Is the place of business located in ☐ an office building or ☐ a residence

If the place of business is located in a residence, is it separate and distinct from the living quarters, and accessible by the public?

☐ Yes ☐ No

Firm/Sole Proprietorship License Number: _____

Expiration Date: _____

Principal Broker License:

NAME	LICENSE NO.	EXP. DATE	POSTED/ AVAILABLE	LOCATION
			☐ Y ☐ N	

Supervising Broker Licenses:

	NAME	LICENSE NO.	EXP. DATE	POSTED/ AVAILABLE	LOCATION
				☐ Y ☐ N	
				☐ Y ☐ N	
				☐ Y ☐ N	
				☐ Y ☐ N	
				☐ Y ☐ N	

Broker/Salesperson Licenses:

TOTAL NUMBER	ALL CURRENT	LICENSE/ ROSTER	POSTED/ AVAILABLE	LOCATION
	☐ Y ☐ N	☐ L ☐ R	☐ Y ☐ N	

Place of Business

18-VAC 135-20-160:

The principal broker has readily available to the public, in the main place of business, the firm license, the principal broker license and the license of every salesperson and broker active with the firm.	☐ Y ☐ N
The branch office license and a roster of every salesperson or broker assigned to the branch office is posted in a conspicuous place in each branch office.	☐ Y ☐ N ☐ N/A
Each place of business and each branch office is supervised by a supervising broker who exercises reasonable and adequate supervision of the provision of real estate brokerage services by brokers and salespersons assigned to it.	☐ Y ☐ N
If the supervising broker is located more than 50 miles from the branch office and there are licensees who regularly conduct business assigned to the branch office, has the supervising broker certified in writing on a quarterly basis on a board form that the supervising broker complied with the requirements of this subsection?	☐ Y ☐ N

Factors to be considered in determining whether the supervision is reasonable and adequate:

Is the supervising broker available to all licensees under his/her supervision in a timely manner?	☐ Y ☐ N

Is training available and are there written procedures and policies which provide clear guidance and effective oversight by the principal or supervising broker in the following areas:

Proper handling of escrow deposits?	☐ Y ☐ N
Compliance with federal and state fair housing laws and regulations if the firm engages in residential brokerage, residential leasing, or residential property management?	☐ Y ☐ N ☐ N/A
Advertising and marketing?	☐ Y ☐ N
Negotiating and drafting of contracts, leases and brokerage agreements?	☐ Y ☐ N
Use of unlicensed individuals?	☐ Y ☐ N
Creating agency or independent contractor relationships?	☐ Y ☐ N
Distribution of information on new or changed statutory or regulatory requirements?	☐ Y ☐ N
Disclosure of matters relating to the condition of the property?	☐ Y ☐ N
Such other matters as necessary to assure the competence of licensees to comply with the Real Estate Board's regulations and Chapter 21 of Title 54.1 of the Code of Virginia?	☐ Y ☐ N
Have all records required in this subsection been maintained for three years?	☐ Y ☐ N

Maintenance of Licenses

18-VAC 135-20-170:

The principal broker has kept the board informed of the current firm name.	☐ Y ☐ N
The principal broker has kept the board informed of the current firm and branch office addresses.	☐ Y ☐ N
The principal broker has returned to the board all licenses of brokers and salespersons who no longer work for the firm within 10 days of the termination.	☐ Y ☐ N

Maintenance and Management of Escrow Accounts

18 VAC 135-20-180:

As of the date of the audit:

How many pending sales does the firm have for which it is holding earnest money deposits?	
How many property management clients does the firm have?	
How many properties does the firm manage for which it is holding security deposits?	
Are there funds earned by the firm/licensee which have not been withdrawn within 6 months?	☐ Y ☐ N

Were the funds from escrow paid to the firm when the funds became due to the licensee?	☐ Y ☐ N
Is the firm holding only the funds required to be deposited in the escrow account?	☐ Y ☐ N

Please list the authorized signatories on the escrow accounts and provide the other requested information below.

	BANK NAME/ AUTHORIZED SIGNATURES	ACCOUNT NAME	Last 4 digit of ACCOUNT NO.	TYPE OF FUND (EMD/SD/Rents)	CURRENT BALANCE
TOTAL STATED EARNEST MONEY DEPOSIT LIABILITY					
TOTAL STATED SECURITY DEPOSIT LIABILITY					

18 VAC 135-20-180 (A): Maintenance of escrow accounts.

If the firm holds down payments, earnest money deposits, money received upon final settlement, rental payments, rental security deposits, moneys advanced, or other escrow funds received on behalf of its client or any other person:	
Is the account maintained in the firm's licensed name?	☐ Y ☐ N
Is the account in a federally insured depository?	☐ Y ☐ N
Is the account labeled “escrow” on the account name, checks, and bank statements?	☐ Y ☐ N
If the escrow funds were used to purchase a CD:	
The broker has not pledged/hypothecated the CD?	☐ Y ☐ N
Does the broker have the original CD?	☐ Y ☐ N
Does the broker retain direct control over the CD?	☐ Y ☐ N

18 VAC 135-20-180(B): Disbursement of funds from escrow accounts.

Were the earnest money deposit funds deposited within 5 business banking days following ratification, or in accordance with the written terms of the contract?	☐ Y ☐ N
Does the property management agreement call for a specific security deposit amount?	☐ Y ☐ N ☐ N/A
If yes, does the security deposit amount on the property management agreement match the corresponding lease security deposit?	☐ Y ☐ N
Were the security deposits deposited into escrow within 5 business banking days following receipt unless otherwise agreed to in writing by the principals to the transaction?	☐ Y ☐ N
If the escrow account bears interest, is there a written disclosure in the contract of sale or lease regarding the disbursement of interest?	☐ Y ☐ N ☐ N/A
If moneys were disbursed from escrow accounts, was there sufficient money on deposit in that account to the credit of the individual client or property involved?	☐ Y ☐ N
Were expenses incidental to closing a transaction deducted from a deposit, unless otherwise agreed to in writing by all principals to the transaction?	☐ Y ☐ N

18 VAC 135-20-180(C): Actions including improper maintenance of escrow funds.

If there were any notes, nonnegotiable instruments, or anything of value not readily negotiable, accepted as a deposit on a contract, offer to purchase, or lease, was its acceptance acknowledged in the agreement?	☐ Y ☐ N
Were the funds properly maintained in the escrow account with no commingling of funds?	☐ Y ☐ N
Does it appear from the escrow account bank statements that funds designated for escrow were deposited into escrow accounts and not into operating or other firm accounts?	☐ Y ☐ N
Are the balances in the escrow accounts sufficient to account for all funds designated to be held by the firm?	☐ Y ☐ N
Did the principal broker report the improper conduct of a licensee for noncompliance with escrow issues within 3 business days?	☐ Y ☐ N

Maintenance and Management of Financial Records

18 VAC 135-20-185:

Are the firm's financial transaction records maintained in the principal broker's place of business, or a branch office?	☐ Y ☐ N
Do the records show:	
from whom the money was received?	☐ Y ☐ N
the date of receipt?	☐ Y ☐ N
the place of deposit?	☐ Y ☐ N
the date of deposit?	☐ Y ☐ N
after the transaction has been completed, the final disposition of the funds?	☐ Y ☐ N
Does the bookkeeping or record keeping system maintained by the principal broker clearly and accurately disclose full compliance with this section?	☐ Y ☐ N
Are the accounting records in sufficient detail to provide necessary information to determine such compliance?	☐ Y ☐ N
Did the broker retain each disclosure of brokerage relationship, each executed contract, agreement and closing statement for a period of 3 years?	☐ Y ☐ N
Did the broker receive money on behalf of others and maintain a complete and accurate record of such receipts and disbursements for a period of 3 years?	☐ Y ☐ N
Did the broker account for or remit any monies in a licensee's possession which belonged to others?	☐ Y ☐ N

Advertising by Licensees

18 VAC 135-20-190:

Was all advertising under the direct supervision of the principal broker?	☐ Y ☐ N
Did all advertising contain the firm's licensed name?	☐ Y ☐ N
Did online advertising comply with the provisions of board regulation 18 VAC 135-20-190.C?	☐ Y ☐ N
Was the advertising clear that the property listed and advertised by the firm was not for sale, exchange, rent or lease by the owner or an unlicensed person?	☐ Y ☐ N
Did any of the advertising include a notice that the owner is a licensee if the licensee owns or has ownership interest in the property advertised and is not using the services of a licensed real estate entity?	☐ Y ☐ N
Is the firm's licensed name on sign(s) displayed outside each place of business?	☐ Y ☐ N
Was the written consent of the seller, landlord, optionor or licensor obtained before advertising the specific property?	☐ Y ☐ N
Did any of the advertising fail to identify the type of services offered when advertising by general description a	☐ Y ☐ N

property not listed by the party making the advertisement?	

Improper Brokerage Commission

18 VAC 135-20-280:

Did the firm/sole proprietorship pay a commission or any valuable consideration to licensed person(s) only?	☐ Y ☐ N

ADDITIONAL EXPLANATION

Please provide further explanation below for **any *NO* answers**, or for any answers above for which inadequate space was provided. If you require additional space to answer a question, please include a further written response as part of this document.

If you are using this form to enter a voluntary compliance program pursuant to §54.1-2111.1 of the Code of Virginia, please provide a written statement with a plan for rectifying the noncompliance within 90 days from the date of submission to the Board.

AUDIT DECLARATION AFFIRMATION

As the principal broker or supervising broker, I have personally completed or personally overseen the completion of this audit and have personally reviewed and verified the responses in the audit. I understand the importance of the broker's duty to exercise reasonable supervision and control in assuring compliance with the law and regulations, and have made every effort to comply.

I hereby declare and affirm all responses are true, full, complete and accurate to the best of my knowledge. I further understand any false, misleading or incomplete answers to this audit may result in disciplinary action.

Printed name _____ Date _____

Signature _____

THIS FORM SHALL BE KEPT AND MAINTAINED ON THE PREMISES OF THE FIRM OR SOLE PROPRIETORSHIP.
DO NOT RETURN THIS FORM TO THE REAL ESTATE BOARD.