

California BRE Broker's Internal Audit Checklist

General Business Practices

- ▶ Do you exercise reasonable supervision over your salespersons? (*Commissioner's Regulation 2725*)
- ▶ Have you established written policies, rules, procedures and systems to review, oversee, inspect and manage?
- ▶ Do you have a monitoring system to insure that your policies and procedures are being followed?
- ▶ Is the corporation or broker using an unlicensed fictitious business name? (*B&P Code 10159.5*)
- ▶ Do you have written policies, rules, procedures and systems to review, oversee, inspect and manage branch offices?
- ▶ Do you retain copies, for three years, of all documents received or generated by the company?

Licensing

- ▶ Are all of your salespersons properly licensed? (*B&P Codes 10130, 10131, 10132, 10137, 10138, 10153.4, 10160*)
- ▶ Do you retain eLicensing printouts of agent's licenses at the main office? (*Commissioner's Regulation 2753*)
- ▶ Do you display broker's and corporation's license(s) at place of business? (*B&P Code 10162*)
- ▶ Are all licensees disclosing their personal CalBRE license number (and if applicable, personal NMLS identifier) on their business cards, correspondence (written and e-mail), advertising and personal web pages?
- ▶ Do you notify CalBRE upon hiring or termination – RE-214 or via eLicensing? (*B&P Codes 10161.8a & 10161.8b*)
- ▶ Do you have a system in place for monitoring licensee renewals?
- ▶ Do you have written contracts with each salesperson and/or broker-associate? (*Commissioner's Regulation 2726*)
- ▶ Do you note changes of address and/or broker's name on CalBRE licenses of salespersons? (*B&P Code 10161.8c&d*)
- ▶ Do you have a separate license for each business location (and branch office, if applicable)? (*B&P Code 10163*)

Trust Fund Handling

- ▶ If you collect trust funds, are checks made out to your trust account?
- ▶ Is the bank account used for trust fund handling a non-interest-bearing account in the name of the broker as trustee?
- ▶ Are control records for your trust account, and separate transaction records, complete and accurately maintained?
- ▶ Is monthly reconciliation of your control and transaction records performed and documented?
- ▶ Do you keep no more than \$200 of your own money in the trust account to cover bank charges?
- ▶ Are trust funds deposited within three business days following their receipt by the broker or salesperson?
- ▶ Do you maintain a copy of all checks you receive?
- ▶ Are all signatories licensed and employed by the broker or, if not licensed, covered by a non-deductible fidelity bond?
- ▶ Are broker's funds commingled with trust funds?
- ▶ Is a pass-through ledger maintained for checks made out to other parties (i.e. appraisers and credit reporting firms)?

Real Estate Disclosures

- ▶ Do your documents disclose the negotiability of commissions? (*B&P Code 10147.5*)
- ▶ Do you provide Real Estate Transfer Disclosure Statements? (*Civil Code Sec. 1102 et seq. & 2079; B&P Code 10176.5*)
- ▶ Do you maintain pest control documentation? (*Civil Code Section 1099; Commissioner's Regulation 2905*)

Mortgage Broker Disclosures

- ▶ Are you using the MLDS and GFE on all transactions within three days of the application?
- ▶ Are you disclosing your CalBRE license number on the MLDS?
- ▶ Are you providing the HUD Settlement Cost Booklet on all transactions?
- ▶ If you are a threshold broker, are you filing your threshold reports quarterly and yearly?
- ▶ If you are a hard (private) money broker, are you up to date on new CalBRE requirements?
- ▶ If you are a hard money broker, are you disclosing your CalBRE license number to each borrower and investor?
- ▶ If you collect any advance fees from consumers, do you have an advance fee agreement approved by the CalBRE?
- ▶ Do you identify yourself as a "Real Estate Broker – CA Bureau of Real Estate – License #00000000 – NMLS #000000" (company numbers) in all advertising, including radio, TV, direct mail and the Internet?