

## COMPLIANCE AUDITS

Division investigators conduct compliance audits of Ohio brokerages in accordance with *Section 4735.05 of the Ohio Revised Code*. Audits can be performed upon request of the broker, if the Division receives a substantial increase in complaints in the brokerage's geographic area, and upon the Superintendent request.

The purpose of the audit is twofold: First, to provide education and awareness of real estate law; and second, to provide assistance to brokerages to ensure compliance with all license laws. If investigators find areas of non-compliance, they will work with the broker(s) to make necessary corrections.

### AUDIT CHECKLIST

The compliance audit is a very thorough regulatory and education process. Some examples of what investigators look for during an audit include:

- Real Estate Licenses
- Business Cards (Sales & Brokers)
- Advertising (Newspaper, Magazines, Yard Signs, Yellow/White pages, and internet)
- Stationary and Envelopes
- Location of transaction contracts and related documents **for the past three years** (random checks may be conducted of office files)
- Mandated Real Estate Forms {Agency agreements such as Listing Contracts, Exclusive Right to Represent (Buyer), Property Management Contracts, Agency Disclosure, Consumer Guide to Agency Relationships and Residential Property Disclosure}
- Trust Account (copies of latest bank statement, deposit tickets, columnar ledger as required by *O.A.C. 1301:5-05-09*).
- Property Management Trust Accounts (copies of latest bank statement, deposit tickets, columnar ledger as required by *O.A.C. 1301:5-5-11*). (If conducting property management services)
- Operating Trust Account (copies of recent bank statements and verification ledger). {Random checks will be conducted if payment was made to an unlicensed entity or affiliated licensee –*O.R.C. 4735.20*}
- Company Policy on Brokerage (*O.R.C. 4735.54 and OAC 1301:5-6-03*)
- Fair Housing Signage

- Fair Housing Brochure
- Company Policy on Brokerage (*O.R.C. 4735.54*).
- Company Policy on Agency (*O.R.C. 4735.56*).

### **NON-COMPLIANCE ISSUES FOUND DURING AUDITS**

The top non-compliance issues typically found during compliance audits include:

1. Company Policy for Brokerage (*O.R.C. 4735.54 and OAC 1301:5-6-03*)
2. Agency Agreements do not contain the mandated fair housing language or logotype (*O.R.C. 4735.55*)
3. Trust Accounts do not have the proper designation (*O.A.C. 1301:5-5-08(B)*)
4. Brokerages not utilizing Columnar Ledger for their trust accounts (*O.A.C. 1301:5-5-09(A)*)
5. Trust Account balances do not reconcile or contain excess funds (*O.A.C. 1301:5-5-08(C) and O.A.C. 1301:5-5-09*)

<p><b>BROKERS ARE REQUIRED TO COOPERATE DURING COMPLIANCE AUDITS, INCLUDING RECTIFYING ISSUES OF NON-COMPLIANCE. IF THEY DO NOT, BROKERS COULD FACE MISCONDUCT CHARGES UNDER THE CANONS OF ETHICS, ARTICLE 3.</b></p>
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