

RECORDS – PROPERTY MANAGEMENT

Summary: The records retention requirements for property managers are outlined in the *Real Estate Act* and the *Real Estate Act Rules*. [*Real Estate Act*, s.25(9), *Real Estate Act Rules* s.1(1)(aa), s.31(2), s.42(c), s.44, s.51(j)(k), s.53(c), s.82, s.83, s.94(1)(2)]

It is important for property managers to understand what is meant by a “record” and their obligations with respect to keeping records. Records can be created and stored in electronic format or they can be converted from paper to electronic format for storage purposes.

For the purposes of the *Real Estate Act* and Rules, and this Information Bulletin, “records” include:

- (i) *accounts, books, returns, statements, reports, financial documents or other memoranda of financial or non-financial information, whether in writing or in electronic form or represented or reproduced by other means; and,*
- (ii) *the results of the recording of details of electronic data processing systems and programs to illustrate what the systems and programs do and how they operate.*

As indicated, records can be in “electronic format.” In accordance with the *Real Estate Act Rules*, “electronic” includes “created, recorded, transmitted or stored in digital form or in any other tangible form by electronic, magnetic or optical means or by any other means that have similar capabilities for creation, recording, transmission or storage.”

Purpose of Record Retention Requirements

The *Real Estate Act* sets out comprehensive record retention requirements. There are various reasons for these requirements. Some of the reasons are as follows:

- Enable brokers to provide an adequate level of supervision and ensure that the business of the brokerage is conducted in accordance with the legislative requirements;
- Enable brokers to deal with possible misconduct by associates, associate brokers and unlicensed staff;
- Enable an accountant to review the brokerage’s records and provide a report under section 91 of the Rules made pursuant to the *Real Estate Act*;
- Enable RECA to conduct compliance audits under section 74 of the *Real Estate Act*; and,
- Enable RECA to review all relevant information necessary to make proper determination during conduct proceedings under Part 3 of the *Real Estate Act*.

Property managers should have a record management plan to ensure all documents and records are maintained. The *Real Estate Act* and Rules provide property managers with the flexibility to create their own record keeping strategy and record keeping systems

based on their particular business requirements provided that all documents and records are maintained in accordance with legislative requirements.

If a property management company employs unlicensed staff, the property manager has a duty to communicate record keeping and retention policies and procedures to the staff.

Trust Account Records

When in the course of business a property manager receives funds on behalf of clients or investors, it is required to open and maintain one trust or pooled trust account for the deposit of such funds. The *Real Estate Act* s.25(1) specifies a property manager who operates a trust account shall keep complete and accurate financial records in which the property manager must maintain a separate record for each person on whose behalf the property manager is acting, of all:

- (i) *money received in trust, accounts, books, returns, statements, reports, financial documents or other memoranda of financial or non-financial information, whether in writing or in electronic form or reproduced or reproduced by other means;*
- (ii) *money held in trust;*
- (iii) *interest earned on money held in trust; and,*
- (iv) *disbursements made from money received or held in trust.*

Real Estate Trade Records

The *Real Estate Act* Rules specify the minimum requirements for the retention of all records of a trade or potential trade in real estate, including a property management agreement. Property managers are encouraged to become familiar with *Real Estate Act* Rules s.94(1)(2):

- 94(1) A brokerage shall keep separate and have available at its registered business office in Alberta or the City of Lloydminster all records for each trade or potential trade including signed copies of each service agreement, purchase contract, real estate management agreement, lease, offer and all records, accounts and supporting documentation made in the course of the brokerage's business in relation to trades or potential trades in real estate in Alberta.*
- (2) The records, books, accounts and supporting documents in relation to each trade or potential trade in real estate must identify each trade or potential trade including a property management agreement by a sequential code system and use that code for the corresponding trust ledger if applicable and must contain the following:*
 - (a) the nature of the trade or potential trade;*
 - (b) a description of the real estate involved;*
 - (c) the true consideration for the trade or potential trade;*
 - (d) the names of the parties to the trade or potential trade;*
 - (e) the amount of deposit or other monies received, if any, and a record of the disbursement of it; and*
 - (f) the amount of commission or other remuneration received, if any, and the name of the party paying it.*

What is a “Record”?

Records are defined very broadly to include all records created and received during a trade. Records includes traditional paper documents, and electronic documents such as faxes, emails, website data and other types of electronic contracts arising out of the use of new technologies. The definition of records also includes records in a potential trade even if it does not result in a service agreement, lease agreement, rental agreement or some type of property management or administration agreement.

Records normally expected to be found in real estate brokerages conducting property management activities include:

- General brokerage advertisements (website information, newspaper ads, flyers, bus benches etc.);
- Land Title searches;
- Corporate Searches;
- Power of Attorney documents;
- Presentations made to prospective clients;
- Comparable analysis reports and all documentation produced to assist a client or a prospective client to set or make lease or rental terms;
- copies of any faxes received or sent;
- email communications pertinent to transactions;
- copies of all property management service agreements including amendments or renewals even though they may not be accepted;
- feature sheets and specific property advertising;
- rental or lease applications whether or not they resulted in rental or lease agreements;
- Notes relating to tenant reference checks whether or not they resulted in rental or lease agreements;
- Notice of landlord;
- Lease and rental agreements, memorandum of understanding or letters of intent;
- receipts;
- Notices to tenants (price increase, inspection, eviction and termination);
- Notices provided by tenants (termination, sublease);
- Move in and move out reports;
- Tender process information, and quotes and supplier tenders;
- Service agreements with suppliers;
- Invoices and utility bills;
- Supporting information for recurring/automatic withdrawals such as TPPS and mortgage payments;
- Rent rolls;
- Statements of receipt and disbursements;
- Trust ledgers for property owners and tenants;
- Balance sheets:
- Liability ledgers and reconciliations;
- adding machine tapes, if used;
- any notes made in day timers (electronic or otherwise);
- Deposit books and photocopies of all cheques received;
- Caveat information;

- Bank statements, negotiated cheques and records related electronic banking; and,
- any computer data files.

This is only a sample of the information required to be maintained by a property manager.

Record Retention Period

The *Real Estate Act* s.25(9) requires records be kept for a minimum of three years after they came into existence. The three-year period may be extended by the executive director of the Real Estate Council of Alberta in a particular case for the purposes of an investigation or prosecution under the *Real Estate Act*.

Property managers should also take into consideration other legislative requirements or civil requirements such as the *Residential Tenancies Act* of Alberta. For example, the Canada Revenue Agency and FINTRAC have retention requirements in relation to certain records that may exceed the retention requirements under the *Real Estate Act*.

Property managers may also choose to retain records for longer periods for other reasons. REIX recommends maintaining records for 10 years as lawsuits may be commenced during this period. Property managers have flexibility to convert paper documents into electronic form and maintain them electronically to minimize physical space requirements.

Brokerages should be aware licensing and registration records maintained by brokerages under a RECA Online Filer Agreement are not subject to the three-year record keeping requirement, they must be kept indefinitely.

Record Retention Options

Records may be maintained in paper form or electronic form. However if the documents are stored in electronic form the following requirements apply:

- the storage location and medium used for storage is reliable and can reasonably be expected to maintain the integrity of the electronic information;
- if the electronic record was sent, received and/or converted from paper form, the information that identifies its origin, destination and conversion must be retained;
- the electronic record is maintained in the format that was created, sent, received or converted, or is in a format that does not alter the information in the original record;
- the means to view and reproduce the record are maintained. Often this means that the broker will also need to maintain the applicable computer program and/or equipment to run the program;
- the records are safeguarded by a biometric access (preferred) or by a password or security code controlled by the broker so the document cannot be deleted or altered other than by the broker or his or her delegate and only after three years;
- the records are located in a physical premise in Alberta accessible to the broker in Alberta. This includes storing the information in a server located in Alberta (i.e. a Q9 type) of system if the broker has the means to access the information from the server; and,

- the premises where the electronic records are stored are secured and only accessible by the broker and his or her authorized representatives.

Conversion of Records for Storage

Property managers may convert paper records into electronic form or from one type of electronic form to another to reduce physical space storage requirements or to facilitate the use of other types of information systems. RECA has created a set of conversion requirements to ensure the resulting electronic record is a true copy of the original document and to maintain the integrity of the conversion process.

Property managers may convert paper or electronic records only under the following conditions:

- the information is maintained in an electronic form that does not materially alter the information contained in the original document; and,
- the identity of the person who made the conversion is embedded in the document without altering the information contained in the original document;

Duty to Link Data

Whether in paper or electronic form, the property manager has the duty to ensure that all records related to a trade or potential trade are linked so as to create a complete record of all documents or records relating to the trade or potential trade. For example, emails related to a specific trade in real estate should be maintained with the trade file or if maintained in a separate system linked to the trade file.

Often property managers use multiple systems with respect to a specific trade. For example, the property was advertised in a brokerage website administered by an associate, the associate sent and received emails through a stand alone email system, the brokerage maintains a paper file and has an electronic conveyance system. Property managers need to understand the various systems used in the brokerage, and to create and enforce policies and procedures to ensure all information is linked.

All trades or potential trades must be identified by a sequential code system.

Duty to Maintain Records in Alberta

Whether the records are stored in paper or electronic form, the brokerage must maintain all records in Alberta. Records may be stored in a secure location accessible to the broker away from the brokerage's registered office. However, the records need to be available at the brokerage's registered business office if requested by a RECA auditor or investigator in anticipation of an audit or during the course of an investigation.

Records may be maintained in multiple offices if required for the purposes of facilitating trade activities from offices in various geographical locations.

Duty to Maintain Confidentiality

Brokers have a duty to ensure client and customer information is kept confidential. Information should not be released other than with the consent of the client or customer

or as required by law. Brokerages must only use information for the purpose that it was obtained.

Alberta-based brokerages must also ensure they comply with the need to know principles imposed by the *Personal Information Protection Act of Alberta* (PIPA). For further information on PIPA requirements, visit the Office of the Information Privacy Commissioner for Alberta at www.oipc.ab.ca.

Brokerages operating across Canada must also ensure they comply with the principles of the *Personal Information Protection and Electronic Documents Act of Canada* (PIPEDA). For further information on PIPEDA, visit the office of the Privacy Commissioner for Canada at www.privcom.gc.ca.

Separation of Business Records

Some brokerages conduct a variety of business. Some activities may not be related to trades in real estate, such as being an Alberta Registries agent. Sometimes the activities will be tangential to the real estate activities such a commission advance business. If the brokerage operates another type of business brokers must ensure all real estate trade records are kept separate from the other business activity.

General Record Keeping Standards to Consider

While RECA establishes minimum record keeping guidelines, brokerages should also examine the broader concept of records management. Brokerages may want to consider review compliance with DoD [5015.2-STD Records Management Application Design Criteria Standard](#).

Choosing an Electronic Record Keeping System

Brokers have a duty ensure any electronic system complies with the legislative requirements. To assist brokers in acquiring a system that complies with all record keeping requirements RECA has prepared the following list of questions for real estate brokerages performing property management activities:

General Consideration Questions

- Does the electronic records management system track and maintain all of the brokerage's records?
- Does the brokerage obtain and maintain original paper records belonging to one of the parties to the transaction?
- Does the electronic records system allow for original paper documents to be maintained separately?
- Can paper documents that have been converted to electronic form be readily shared with clients or customers and easily accessible through common programs by those clients or customers?
- Does the brokerage have a system of explaining the advantages and disadvantages of paper record conversion to electronic format and to obtain the client's consent for the destruction of paper records after they have been converted to electronic format?

Questions for Converting Paper Records to Electronic Format

- Is the storage location and medium where the electronic records are to be stored reliable and can reasonably be expected to maintain the integrity of the information from the time the electronic record was created?
- Is the identity of the person who made the electronic copy of the written, printed or any paper record and date of the conversion into electronic form embedded in the document without altering the information contained in the written, printed or paper record?
- Is the information maintained in electronic form in a manner that does not materially alter the information originally contained in the written, printed or paper record?
- Is the record in electronic form safeguarded by password or biometric security codes controlled by the software, brokerage or appraiser so that the record cannot be altered?
- Will the brokerage maintain a copy of the computer program or of any other electronic devices required for the electronic records to be viewed and reproduced in printed form in a timely manner?
- Will the system allow the brokerage to ensure all electronic documents created in respect to a trade or potential trade are stored together or are linked so as to create a complete record of all documents or records relating to the trade or potential trade?

Questions related to the maintenance of Electronic Records

- Is the storage location and medium where the electronic records are to be stored reliable and can reasonably be expected to maintain the integrity of the electronic information?
- Does the proposed system require users to identify themselves by username and password or biometric access to identify the brokerage's staff that are creating, modifying, sending or receiving electronic records?
- Does the proposed system maintain who created, and modified the electronic record and the date of creation or modification?
- Does the proposed system maintain a copy of the electronic record before modification?
- Does the proposed system maintain who sent or received the electronic record and the date the electronic record was sent or received?
- Is the information in electronic form maintained in the format in which it was created, sent or received, or in a format that does not materially alter the information of the original record in electronic form?
- Does the proposed system maintain a copy of the computer program or of any other electronic devices required for the electronic records to be viewed and be reproduced in printed form in a timely manner?
- Does the proposed system safeguard the document in electronic form by the software, password or security codes controlled by the broker so that the records cannot be altered?
- Are the electronic records located in a physical premise in Alberta?
- Are the electronic records accessible by the broker as required?
- If the electronic data is maintained by a third party supplier, what arrangements have been made to safeguard and transfer the data to the brokerage in the event the third party supplier ceases business?

- Are the premises where the electronic records are to be stored secure and are only accessible by the broker or by persons authorized by the broker?
- Does the system provide the brokerage with the means to ensure all electronic records created in respect to a trade or potential trade, are stored together or are linked so as to create a complete record of all documents or records relating to the trade or potential trade?

Questions related to the three-year minimum record keeping requirements

- Will the system prevent the deletion of trade, deal or appraisal records within the three years after they were created?
- Will the system allow the broker, appraiser or a person authorized by him or her to expand the record retention to exceed the three-year period as may be directed by the executive director?
- Can the system generate an audit trail of all records including records that have been deleted after three years?

Questions to enable brokers to fulfill broker responsibilities

- Will the system ensure that the broker is able to perform timely supervision of associate brokers or associates, as the case may be, within the brokerage and employees who perform duties on behalf of the brokerage?
- Will the system allow the broker to review all real estate agreements in a timely manner, including but not limited to client/customer relationships and accepted property management agreements or rental agreements?
- Will the system allow the broker to delegate supervisory duties to broker delegates?
- Will the system allow associates and associate brokers to provide to the broker in a timely manner all original documentation and copies of original documents provided to the parties or maintained by other brokerages related to a trade in real estate as required under the Act and these Rules?
- Will the system allow the broker to be informed of the activities being performed by the associate broker or associate on behalf of the brokerage?
- Will the system have username and password or biometric access to prevent unauthorized (unlicensed) staff from trading in real estate?

Duty of Associates to Provide Trade Records to the Brokerage

Associates and associate brokers have a duty to provide the brokerage with:

- all original documentation such as service agreements, transactional brokerage consents, customer status acknowledgement, etc.;
- all copies of original documents provided to the parties to the trade or their representatives; and
- all records related to a trade or potential trade.

Associates and associate brokers must provide this information in a timely basis and in accordance with the brokerages policies and procedures related to record retention.

RECA has found that some associates and associate brokers interpret records to include only those records that are formal in nature (property management agreements, amendments, notices etc.). Brokers must ensure associates and other staff understand the definition of "records" and their obligation to submit all records to the brokerage..

Access to Records by Clients during Service Agreement

Clients may request copies of advertisements, financial statements, lease or rental agreements, bids and tender process information or any other records related to the trade or potential trade. Brokers must provide copies or reasonable access to the client's records. Brokers should anticipate these types of requests and address them in the property management service agreement and may charge reasonable fees for this service.

Duty to Return all Trade Records at the End of the Service Agreement

Most of the original trade records belong to the property owner. Some examples are move in/out reports, rental and lease agreements, service contracts with suppliers, invoices, utility bills etc. The property owner may demand the original records at the conclusion of the agreement. Brokerages should anticipate this and should negotiate with the client as to how this issue will be dealt with. Some examples of how this may be dealt with are as follows:

- If the brokerage has a process to convert all records into electronic form, the broker may explain to the property owner the advantages and disadvantages of paper format conversion to electronic format and obtain the client's consent to destroy paper records after they have been converted to electronic format. Under this situation the brokerage may provide the electronic data to the property owner at the conclusion of the service agreement.
- Provide the records to the owner. In this situation the broker must be able to demonstrate that the records were fully returned to the owner.
- Provide for a system where the brokerage will return the original records to the property owner and negotiate a fee to be charged so that the brokerage may retain copies of the records.

Brokers have a duty to cooperate with former clients and their new property managers to minimize any disruption to the business of the property owner. While the property manager may keep trust funds in accordance with service agreement to pay outstanding bills, all applicable records must be forwarded on a timely basis.

Broker - Brokerage Agreement

When a broker does not have a controlling interest in the ownership of the brokerage, the broker must have a written agreement with the brokerage. The agreement must give the brokerage the ability to be able to carry out the duties and responsibilities of a broker as it relates to record keeping. For example a broker who does not have a controlling interest in the brokerage must not allow records to be stored in the personal residence of an owner as he or she may not be able to safeguard the records or gain access to the records.

The broker must also ensure the agreement survives the brokerage authorization as the broker is responsible to maintain the records for three years following the brokerage's end as a licensed brokerage. Brokers should consider the cost implications when considering these agreements.

Brokerage Amalgamations

Occasionally a brokerage may purchase or amalgamate with another brokerage. The brokers for these brokerages have a duty to ensure records are maintained as required either under the amalgamated brokerage or under the control of the former brokerage. (The former broker is able to register under the new brokerage or another brokerage.)