

PURSUANT TO THE REAL ESTATE ACT

Since July 1996, when the Real Estate Act became law, the Real Estate Council of Alberta (RECA) has been responsible for regulation of the real estate and mortgage broker industries in Alberta. For more information, please contact the **Real Estate Council of Alberta, #350, 4954 Richard Road SW, Calgary AB T3E 6L1**. Phone (403) **228-2954** or (toll free in Alberta) **1-888-425-2754**.

E-mail: [info@reca.ca](mailto:info@reca.ca) ; Website: [www.reca.ca](http://www.reca.ca) .

**The brokerage to be reported on is:**

<b>Brokerage</b>		
<b>Address</b>		
<b>City</b>	<b>Province</b>	<b>Postal Code</b>
<b>Phone</b>	<b>Fax</b>	<b>E-mail</b>
<b>Name of Broker</b>		

Dear Sir or Madam:

**This letter sets the terms of our engagement as accountants for the purpose of reporting under Section 91 of the Real Estate Act Rules.**

This engagement, for the fiscal year ended \_\_\_\_\_, \_\_\_\_\_ will be limited to the procedures outlined below, except where those procedures are extended as directed by you in writing. **Any such additional procedures shall be attached to this letter and become part of the engagement.**

The **Table of Recommended Minimum Examination Guidelines**, on the last page of this document (page 5), will be used in our examination. In completing the **Accountant's Report**, we will select a month of our choice within the fiscal year. The month selected (hereinafter referred to in this report as the "selected month") will be reported to the Real Estate Council of Alberta and used for the purpose of completing procedures 2, 3, 4, 5, 7, 8, 9, 10, 13 and 15 of the **Accountant's Report**. The procedures we will carry out are as follows **if applicable**:

1. Reviewed the trust bank reconciliation and trust liability reconciliation (to determine whether there are sufficient funds in the depositories to meet the trust liabilities) for each of the twelve (12) months in the fiscal year ended \_\_\_\_\_, \_\_\_\_\_ and ensure that:
  - a) each reconciliation showed there were sufficient funds to meet the liabilities,
  - b) a listing of the money held (trust liability) in trust for each transaction, owner, property or tenant has been included as part of the reconciliation and was prepared each month,
  - c) there were no unreconciled differences, and
  - d) each trust bank reconciliation and trust liability reconciliation was dated within 30 days of the month being reconciled and bore the signature of the broker.

2. For the selected month, review a number of Sell/Lease transactions. Determine that they were entered in the brokerage's trust ledger accounts with supporting records and that they indicate:
  - (a) the nature of the trade,
  - (b) a description clearly identifying the real estate involved,
  - (c) the true consideration for the trade (in the case of lease or rental, expressed on an annual, monthly or other basis),
  - (d) the names of the parties to the trade,
  - (e) the amount of the deposit, rent, or other funds received and a record of the disbursement of them, and
  - (f) the amount of the brokerage's commission or other remuneration and the name of the party paying it.
3. For the selected month, review a *number of* Property Management trades in real estate. Determine that they were entered in the brokerage's trust ledger accounts and supporting records and that they indicate:
  - a) a description clearly identifying the rental or condominium property involved,
  - b) the amount of the rent, security deposit, condominium fee or other funds to be received was consistent with a signed lease agreement or other document,
  - c) the names of the parties to the trade,
  - d) the amount of the rent or other funds received and a record of the disbursement of them, and
  - e) the amount of the brokerage's management fee or other remuneration, the name of the party paying the fee or other remuneration and that it was consistent with the signed management or other agreement.
4. Verify the information in the trust bank reconciliation at the end of the selected month.
5. Verify the information in the trust liability reconciliation at the end of the selected month to determine whether there are sufficient funds in the depositories to meet the trust liabilities.
6. Confirm directly with depositories as at \_\_\_\_\_, \_\_\_\_\_ (*fiscal year end date*) all trust accounts disclosed in the **Real Estate Brokerage's Representations to RECA**. Agree the amounts confirmed with the balances on the brokerage's trust bank reconciliation, and review the reconciling items on the bank reconciliation.
7. Compare trust ledger balances from selected trust ledger accounts to the listing of trust liabilities, and compare selected balances from the listing to the trust ledger accounts (both at the end of the selected month).
8. Trace the details of the last two receipts and last two disbursements of the selected month and the first two receipts and first two disbursements for the next month from the trust liability records to the trust bank records to ensure that the entries were recorded in the appropriate month.
9. For the selected month, trace a number of deposits from the trust ledger to the bank deposit books, bank statements and supporting records to ensure that the deposits received in relation to the Residential Tenancies Act or Condominium Property Act were deposited within two (2) banking days after the date of receipt and all other trust funds were deposited within (3) banking days after the date of receipt or acceptance of the offer to purchase or within any further period agreed to in writing by the parties to the trade. .

10. For the selected month, examine disbursements from the trust accounts to determine whether the disbursements are in accordance with the terms of trust governing the use of that money.
11. Scrutinize selected trust ledger accounts and report any debit balances greater than \$100 that have arisen during the year.
12. Scrutinize the brokerage's trust depository statements and passbooks covering the year for depositories disclosed in the **Real Estate Brokerage's Representations to the Real Estate Council of Alberta (RECA)** and report all overdrafts that occurred during the year.
13. Scrutinize the brokerage's trust depository statements and passbooks for the selected month for depositories disclosed in the **Real Estate Brokerage's Representations to the Real Estate Council of Alberta** to ensure they showed the accounts were designated trust accounts on both the depository statements and cheques.
14. Determine, by inquiry and observation, whether the brokerage has a separate trust account solely for security deposits received under the **Residential Tenancies Act**.
15. Verify a number of receipts and disbursements in the general account for the selected month to ensure that they are not trust transactions.
16. Forward a copy of the **Accountant's Report** to the brokerage and discuss the contents with the broker.

These procedures do not constitute an audit and therefore we will not express an opinion about the accuracy or completeness of the trust books, records and financial information provided, or about whether or not there were any irregularities during the year that were not disclosed to us. However, we will report on the results of the preceding procedures.

So that we may carry out this engagement, you will make available to us all books, correspondence with the Real Estate Council of Alberta and its Executive Director, records and accounts pertaining to the real estate firm for the fiscal year ended \_\_\_\_\_, \_\_\_\_\_. Your firm will also provide us with the following:

- 1) **Real Estate Brokerage's Representations to the Real Estate Council of Alberta**, in the approved form, **duly completed and signed** for the fiscal year ended \_\_\_\_\_, \_\_\_\_.
- 2) **Accountant's Report**, in the approved form, for our completion.

We will discuss the details of the completed **Accountant's Report** with you and provide you a copy of the report for forwarding to the Real Estate Council of Alberta.

Our fees for services rendered will be based on the time spent by us, plus any out of pocket expenses that we incur.

**Please review this letter carefully, sign, date, and return one copy to us.**

Yours very truly,

*(continued on next page)*



### SELECTION OF THE SAMPLE MONTH

The selected month should, whenever possible, be representative of the operations of the brokerage and if there have been transactions must always include a transaction. If there is only one month with a deposit that month should be selected, even if there were no disbursements in that month.

If the report is being issued only as a result of the holding and disbursement of funds received in a previous fiscal period. Then the sample month should be one where a disbursement was made and this fact stated in the additional comments to the report.

**Table of Recommended Minimum Examination Guidelines**  
(for use in completing the Accountant's Report)

<b>REAL ESTATE TRANSACTIONS - BUY/SELL</b>	
<b>Estimated Monthly Real Estate Transactions</b>	<b>Recommended Examination Numbers in Selected Month</b>
0-50	Examine all transactions (to a maximum of 10)
51-200	Examine 20% of all transactions
Over 200	Examine 40 transactions

<b>REAL ESTATE TRANSACTIONS - PROPERTY MANAGEMENT</b>	
<b>Number of Properties Managed In Selected Month</b>	<b>Recommended Examination Numbers in Selected Month</b>
0-50	Examine all properties to a maximum of ten (10)
Over 50	Examine 20% to a maximum of twenty (20)
<p>In the selected month, properties that make up the recommended examination numbers shown above should be selected from a range of property types. Use the following proportions as far as applicable properties allow.</p>	
<b>Total Properties Examined in Selected Month should be made up of:</b>	<b>Properties with Client's Estimated Monthly Rental Income of:</b>
40%	Under \$1,000
20%	\$1,001 to \$5,000
20%	\$5,001 to \$10,000
10%	\$10,001 to \$30,000
10%	Over \$30,000

Answers to some common questions in relation to property management testing are available on our website at.

<http://www.reca.ca/industry/content/legislation-bulletins/accountant-QA.htm>