



GUIDE TO COMPLIANCE AUDIT FOR REAL ESTATE APPRAISERS

The Real Estate Council of Alberta (RECA) is an independent, non-government agency, responsible for regulating industry professionals in the real estate, mortgage, and real estate appraisal industries under Alberta's *Real Estate Act*. Part of this responsibility is the periodic inspection of the books and records of real estate appraisers commonly referred to as audits. RECA believes that the audit process should provide positive and constructive assistance to industry members in:

- identifying and resolving potential problems
- developing effective record keeping and administrative procedures

UNDERSTANDING THE PROCESS

RECA's compliance audit program has three main objectives:

1. to be of service to industry members

Auditors work constructively with appraisers in developing sound practices and procedures that comply with the *Real Estate Act* and the Rules.

2. to promote compliance with the *Real Estate Act* and the Rules

A small percentage of appraisers may work outside the laws and standards that govern the industry – this can adversely affect the public's view of our industry as a whole. RECA's audits reduce the occurrence of activities in violation of the *Real Estate Act* or the Rules.

3. to safeguard the integrity of the licensing system

Auditors check to make sure appraisers are following policies associated with use of RECA's online licensing system.

RECA will make reasonable efforts to minimize interference with the business activities of industry members.

How are appraisers selected for audit?

Most audits are assigned at random. Appraisers may also be selected according to any of the following criteria:

- location
- size of the appraisers operations

- previous audit findings
- reliable information received from a third party

What happens during an audit?

Before the audit begins, the auditor will have a brief discussion with the appraiser about their activities, policies, and procedures. The auditor may then review any or all of the following:

1. books and records for a selected period of time
2. RECA online forms
3. the appraisers policies and procedures
4. a sample of closed appraisal files
5. data to support adjustment activities
6. insurance coverage during appraisals

Will I be notified of the audit in advance?

Although audits are sometimes unannounced, RECA will normally contact the appraiser in advance and will attempt to be flexible in scheduling the audit. In the case of a follow-up audit, this may not be always be possible. Every effort will be made to allow appraisers to continue with normal business activities while the audit is being completed.

Note: In remote locations, there may be less flexibility in scheduling an audit.

What time period will the audit cover?

The audit is limited by the statutory requirement to keep records for a minimum of three years.

Why am I being audited when I hold no trust funds?

All appraisers must maintain adequate books and records and comply with all areas of the legislation, whether trust funds are held or not. For example, the auditor may review:

1. the general quality of books and records
2. RECA online forms
3. appraisal policies and procedures
4. open and closed appraisal assignments

What audit findings would be referred to RECA's investigation unit?

The following criteria are used in identifying files to be forwarded to the investigation unit:

- Do audit findings indicate intent or recklessness on the part of the appraiser?
- Have similar concerns been brought to the appraiser's attention in the past?
- Could the concerns result in serious consequences to the public (e.g. unlicensed practice)?

ABOUT THE AUDITORS

What responsibilities do auditors have?

RECA recognizes that being audited can be a stressful experience and has adopted the following policies to make the process as positive as possible. RECA auditors will:

- conduct themselves in a courteous, professional, and approachable manner
- explain audit results in a constructive way
- keep audit results confidential

Note: occasionally serious concerns must be referred to RECA's investigation unit. If there is a finding of misconduct, the case summary may be published.

HOW LONG DOES AN AUDIT TAKE?

Most audits are completed in one day, but this may vary depending upon the complexity of the appraiser's operations and the quality of record keeping.

Do I need to be there the whole time?

It is not necessary for the appraiser to be present, but the person who maintains the records must be available in case questions arise during the course of the audit.

OUTCOMES

- 1. Review of audit results** – The auditor will review audit results with the appraiser and any administrative staff the appraiser feels should be present, in a constructive question-and-answer style session.
- 2. Recommendations** – The auditor will provide alternatives and possible strategies to prevent future problems and may interpret relevant sections of the *Real Estate Act* and Rules.
- 3. Written summary** – The appraiser will be sent a written summary of the audit findings.
- 4. Follow-up** – To ensure that more serious issues have been corrected a follow-up audit may be carried out.
- 5. Ongoing support** – The auditor will be available should the appraiser require support after the audit is complete.

Are the results of an audit confidential?

The audit and its findings will be discussed only with the appraiser, unless they request that other staff members be informed of the findings. Any information obtained is kept confidential and only disclosed in accordance with RECA's privacy policy and personal information code. Occasionally, serious concerns are referred to RECA's investigation unit.

Note: if there is a finding of misconduct, the case summary may be published.

Will I be penalized or sanctioned if the auditor finds a breach of the *Real Estate Act* or the Rules?

The intent of the audit process is to resolve concerns in a constructive way. Minor breaches of the *Real Estate Act* or the Rules are found in nearly all audits, but penalties or sanctions are seldom assessed. Only in serious cases are referrals made to RECA's investigation unit. The majority of breaches related to the licensing system are referred to RECA's licensing unit.

FOR MORE INFORMATION

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