



Guide to Trust Assurance and Practice Review 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. These inspections are now referred to as practice reviews (previously referred to as audits).

RECA believes the practice review process should provide positive and constructive assistance to industry members in:

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

Purpose of a Practice Review

RECA's trust assurance and practice review program has three main objectives:

1. to be of service to industry members

Practice reviewers work constructively with appraisers in developing sound accounting 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 real estate 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 practice reviews reduce the occurrence of activities in violation of the *Real Estate Act* or the Rules.

3. reduce the number of claims against the Assurance Fund

All industry members share the cost of claims made against the Assurance Fund. Identifying problems before they develop reduces the number of claims against the fund, which benefits everyone.

Understanding the Process

How are brokerages selected for practice review?

When selecting appraisers for practice review, RECA has two primary objectives:

1. **targeting appraisers that pose the greatest risk to the public and the assurance fund**
2. **visiting all appraisers on a regular basis**

Appraisers may also be selected according to any of the following criteria:

- reliable information received from a third party
- previous practice review findings
- appraisers in their first year of operation
- size of the appraiser's operation
- location

Why is my appraisal firm being reviewed when we 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 practice reviewer may review:

- appraiser's policies and procedures
- the general quality of books and records
- closed appraisal assignments

What happens during a practice review?

Before the practice review begins, the practice reviewer will have a brief discussion with the appraiser about the review process i.e. appraiser's activities, policies and procedures

During the review, the practice reviewer may then review any or all of the following:

- books and records for a selected period of time
- the appraiser's policies and procedures
- a sample of closed trade files
- data to support adjustment activities
- insurance coverage during appraisals

Will I be notified of the practice review in advance?

RECA will normally contact the appraiser in advance and will attempt to be flexible in scheduling the practice review. In the case of a follow-up practice review, this may not always be possible. Every effort will be made to allow appraisers to continue with normal business activities while the practice review is being completed. For appraisers that hold trust funds, whenever possible, RECA's practice reviews will not be performed during the year-end report process.

In remote locations, there may be less flexibility in scheduling a practice review since RECA's practice reviewers are located in Calgary and Edmonton and travel arrangements to other areas of the province are required.

In rare circumstances where RECA receives information of a significant risk to the public, a practice review may be unannounced.

How should I prepare for the practice review?

If records are kept at the appraiser's offices, little or no preparation should be required. The appraiser may wish to provide copies of this guide to staff members. The practice reviewer will provide a brief summary of practice review requirements and questionnaire in advance.

What time period will the practice review cover?

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

How can I benefit most from the practice review process?

You will learn most from the process if you are present and involved during the practice review. RECA's practice review of records is educational and for the benefit of the appraiser.

Courtesy Practice Review

New real estate appraisers may ask RECA to conduct a courtesy practice review. A courtesy practice review is an educational resource to help ensure that new appraisers are aware of the provisions of the *Real Estate Act* that apply to your operation. A practice reviewer will review your books and records and, if necessary, assist you in making changes to ensure compliance with the Act. Contact RECA's Trust Assurance and Practice Review unit audit@reca.ca to schedule your courtesy practice review for the next time a practice reviewer is in your region.

About the Practice Reviewer

What responsibilities do RECA's practice reviewers have?

RECA recognizes that undergoing a practice review can be a stressful experience and has adopted the following policies to make the process as positive as possible. RECA practice reviewer will:

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

How long does a practice review take?

Most practice reviews 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 during the entire review; however, it is beneficial that the appraiser is available to discuss the review findings. The person who maintains the records must be available in case questions arise during the course of the practice review.

Outcomes

Review of practice review results: The practice reviewer will review results with the appraiser and any administrative staff the appraiser feels should be present, in a constructive question-and-answer style session.

Recommendations: The practice reviewer will provide alternatives and possible strategies to prevent future problems with insufficiencies in protocol or procedures or reiterate interpretations relevant to the *Real Estate Act* and Rules.

Written Report: Practice Reviewer will send a written report summarizing the issues discussed and identified during the practice review.

Appraiser Response: Appraiser is required to prepare a signed, written response to the issues addressed in the written report.

Follow-up: To ensure that issues that are more serious have been corrected, an appraiser may be asked to submit further information or a follow-up practice review may be carried out.

Ongoing support: The practice reviewer will be available should the appraiser require support after the practice review is complete.

Are the results of a practice review confidential?

The practice review and its findings will be discussed only with the appraiser or others only at the appraiser's request. 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 Professional Conduct Review Unit. For further information, please see RECA's *Guide to Professional Conduct Reviews for Industry Members* available on www.reca.ca.

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

The intent of the practice review process is to resolve concerns in a timely, constructive way. Minor breaches of the *Real Estate Act* or the Rules are found in nearly all practice reviews, but penalties or sanctions are seldom assessed. Only in serious cases are referrals made to RECA's Professional Conduct Review unit.

What practice review findings would be referred to RECA's Professional Conduct Review unit?

The following criteria are used in identifying files to be forwarded to the professional conduct review unit:

- Failure to cooperate and provide requested documentation within the timeline specified in the written report For example: failure to provide complete bank reconciliations
- Have similar concerns been brought to the appraiser's attention in the past
- When practice review findings indicate intent or recklessness on the part of the appraiser
- Could the concerns result in serious consequences to the public

**FOR MORE INFORMATION, CONTACT REAL ESTATE COUNCIL OF ALBERTA
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