

## Follow-Up Practice Review Audit Policy - External

Effective Date:	October 1, 2025
Date Last Reviewed:	August 21, 2025
Scheduled Review Date:	September 1, 2026
Policy Owner:	Practice Review
Approved by:	RECA Leadership

### PURPOSE

This policy establishes a structured and consistent framework for conducting follow-up practice reviews of brokerages. The objective is to ensure compliance with regulatory standards and to mitigate risks to consumers and the industries RECA regulates.

### SCOPE

This policy applies to all brokerages and brokers.

### POLICY STATEMENT

This policy ensures that follow-up reviews are conducted in a timely, organized, and professional manner, reinforcing RECA's commitment to maintaining high industry standards and protecting the public interest.

### PROCEDURE

#### Selection Criteria for Follow-Up Reviews

RECA Auditors may select brokerages for follow-up reviews based on their assessed risk to consumers and the industry. Selection criteria may include but are not limited to:

##### Consistent Material Deficiencies

- Unexplained trust account shortages that were not reported to RECA.
- Evidence of inadequate oversight of trust funds by the broker.
- Absence of trust reconciliations for single or multiple trust accounts, each maintaining a monthly closing bank balance exceeding \$25,000.

##### Repeat Non-Compliance

- Persistent failure to include Residential Measurement Standard (RMS) documentation in listing files.
- Engagement of unlicensed employees or affiliates in activities requiring a license.
- Ongoing breaches of legislation related to oversight and documentation necessary to provide competent service to consumers.

## **Direction for Conducting Follow-Up Reviews**

### Timing and Format

- Auditors will attempt to conduct follow-up reviews virtually within three (3) months from the date the Auditor receives or expects the brokerage's response to the completion letter.
- If the Auditor anticipates required corrective actions will take more time (e.g., software upgrades or replacements), the follow-up review will take place within six (6) months from the date the Auditor receives or expects the response to the completion letter.

### In-Person Reviews

- For more serious non-compliance issues, the Auditor may conduct an in-person follow-up review earlier than the standard three-month period.

### Additional Follow-Ups

- If further follow-up is necessary, the Auditor will attempt to complete the additional follow-up review within one (1) month of the initial follow-up.

### Referral to Investigations

- If issues remain unresolved after a second follow-up review, the Auditor will refer the matter to the Investigations Department within five (5) business days of completing the review.

### Communication of Outcomes

- Auditors will communicate the outcome of follow-up reviews to the brokerage within five (5) business days from the date of the follow-up review.

## **NON-COMPLIANCE**

Failure to cooperate with the procedures and timelines for follow-up reviews within the policy may result in administrative penalties, terms placed on licenses, and potential referrals to Investigations.