The CPA/CPA firm agrees to perform the following tasks:

- Obtain an executed Broker-in-Charge’s Representation Form required for exemption from random audit and be alert for any inconsistencies between the representations in the form and the results of the engagement (see next-to-last procedure to report such inconsistencies).

- Be thoroughly familiar with North Carolina Real Estate Commission (‘NCREC’) Rules 58A.0116, 0117, and .0118.

- Be thoroughly familiar with the Vacation Rental Act (North Carolina General Statutes Chaper 42A) if the broker-in-charge or firm/sole proprietorship manages any vacation rental properties.

- Review a sample of bank statements, deposit slips, and checks for all trust account(s) to determine that they are labeled as a trust or escrow account(s).

- Review bank statements for the trust account(s) to determine whether the Broker-in-Charge is using checks that comply with North Carolina Real Estate Commission rules.

- Test a sample of original trust account(s) deposit slips and incoming wire/electronic transfers to determine if the owner or property, purpose, amount, date, and remitter (as well as the buyer or tenant if different from the remitter) is identified.

- Test a sample of amounts received (deposits) and a sample of amounts paid (disbursements, including wire/electronic transfers) to determine if owner or property ledgers are being maintained for each person or entity for whom trust money is received.

- Test a sample of trust account disbursements to determine that the owner or property, date, amount, purpose, and payee are identified on the checks (or Supplemental Check Worksheets).

- Test a sample of trust account disbursements to determine that the clients (from whose ledgers the funds are drawn) are identified on the checks.

- Review a sample of disbursements to determine that payees are specific persons or entities and that checks are not to “cash” or “bearer” of fictitious entities.

- In the course of our work, be alert for and report any transactions that do not appear relevant to typical trust receipts and disbursements.

- Review trust account bank statements to determine if check images are legible copies of the front and back and no smaller than 3 x 1.1875 inches in dimension.

- Review trust account records to confirm that the broker-in-charge has maintained deposit slips, cancelled checks, bank statements, bank reconciliations, ledgers, Trial Balances, and all documents as required by Rule 21 NCAC 58A.0108(a) for a period of at least 3 years after all funds held by the broker in connection with the transaction have been disbursed to the proper party or parties or the successful or unsuccessful conclusion of the transaction, whichever occurs later.
• Review the trust account(s) to determine that bank charges are paid from the broker-in-charge’s operating account or, if not, that the broker-in-charge has deposited an amount generally not to exceed $100 to the trust account specifically to pay for future bank service charges and that a trust account ledger is maintained to account for these funds (see Rule 58A.0117).

• Examine individual owner or property ledgers to determine that the ledgers are in compliance with Rule 58A.0117(c) 4(A) and (B). Review monthly trust account bank statement reconciliations and trial balances to confirm that they are being performed and reviewed by the broker-in-charge.

• Examine individual client ledgers (or a computerized report showing all client ledger balances) to determine if any have been overdrawn (i.e. have negative balances).

• Compare monthly Property Trial Balance report to the reconciled bank balance for each trust account, assuring that the reconciled bank balance equals the client (and/or tenant) liability as represented by the Property Trial Balance report (see Rule 58A.0117).

• Determine whether the Broker-in-Charge sent the bank a written directive requiring the bank to report to the North Carolina Real Estate Commission when an item drawn on the Broker-in-Charge’s trust account(s) is presented for payment against insufficient funds as required by the North Carolina Real Estate Commission’s Spot Inspection Waiver policy.

• Report any inconsistencies noted between the Broker-in-charge’s Representation Form and the results of the foregoing procedures (including by not limited to overages or shortages identified in the reconciliation process, property or owner ledgers with negative balances and/or evidence of conversion of trust funds held by the broker) to the NCREC Chief Auditor.

• Test a sample of Broker-in-Charge’s accountings required to be sent annually to clients or customers for whom funds have been held for more than one year and for all clients or customers whose funds have been fully disbursed (zero balance ledgers).

• Report on any inconsistencies noted between the Broker-in-Charge’s Representation Form and the results of the foregoing procedures.

• Utilize the report format provided by the NC State Board of CPA Examiners to describe the work performed and to note any findings.

If a Broker-in-Charge/firm manages Vacation Rentals or Property Owners’ Associations, all of the tasks identified above must be followed. In addition, the CPA/CPA firm agrees to perform the following tasks additional tasks pursuant to Rule A.0117(f) and A.0118 when examining real estate brokerage trust accounts holding funds for Vacation Rentals and Property Owners’ Associations:

**Vacation Rentals**

• Determine whether the Broker-in-Charge is handling and accounting for trust monies in compliance with the provisions of N.C.G.S. §42A, Article 3, of the North Carolina Vacation Rental Act.

• Determine whether the Broker-in-Charge is creating and maintaining either a subsidiary ledger sheet for each property or owner of such properties on which all funds collected and disbursed are identified in categories by purpose, or an accounts payable ledger for each owner or property and each vendor to whom trust monies are due.
  1. If the Broker-in-Charge maintains a subsidiary ledger, determine whether the Broker-in-
Charge is reconciling the subsidiary ledgers to the corresponding property or owners ledger on a monthly basis.

2. If the Broker-in-Charge maintains an accounts payable ledger, determine whether the Broker-in-charge records on the ledger monies collected on behalf of the owner or the property identifying the date of receipt of the trust monies, from whom the monies were received, rental dates, and the corresponding property or owner ledger entry including the amount to be disbursed for each and the purpose of disbursement.

- Determine if the broker-in-charge is maintaining subsidiary ledgers or accounts payable ledgers for their vacation rental units. If utilizing subsidiary ledgers, determine if the Broker-in-charge is reconciling the subsidiary ledgers to the corresponding owner or property ledgers on a monthly basis.

- If a Broker-in-charge is disbursing advance payments pursuant to Article 3 of the Vacation Rental Act, determine that the management agreements and vacation rental agreements authorize such advance disbursement and that advance disbursements do not exceed 50% of the total rent.

**Property Owner Associations**

- Determine if the property owners’ association funds are being handled as trust money and as required by Rules 21 NCAC 58A .0116, .0117, and .0118.

- Determine if the Broker-in-charge is maintaining a payment record sheet for each property or interest in property and that the payment record sheets identify amount, date, purpose and remitter of each payment received. The payment records sheet should also identify the amount and nature of the obligation for which payments are received and whether there is a balance due or delinquency.

- Determine that the Broker is providing periodic statements to the owners’ association as agreed in the management agreement or at least every 90 days.

- Determine that the officers in the owners’ association do not have signature authority on the trust account maintained for the association by the Broker-in-charge.

- Report any instances in which the funds of one Property Owners’ Association are commingled with funds of other Property Owners’ Associations or other persons or properties.
Report Pursuant to Agreed-Upon Procedures for CPA Examination of Broker-in-Charges’ Trust Accounts

To Broker-in-Charge/Firm and North Carolina North Carolina Real Estate Commission:

We have performed the attached Agreed-Upon Procedures for CPA Examination of Broker-in-Charge’s Trust Accounts (“Agreed-Upon Procedures”) which were agreed upon by Broker-in-Charge/Firm and the North Carolina Real Estate Commission solely to assist the North Carolina Real Estate Commission in determining if Broker-in-Charge/Firm has complied with the North Carolina North Carolina Real Estate Commission’s rules regarding Broker-in-Charge’s trust accounts for the 12 month period ended (month, day, year). Broker-in-Charge/Firm is responsible for compliance with the North Carolina North Carolina Real Estate Commission’s rules regarding Broker-in-Charge’s trust accounts. This engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

[During the performance of the Agreed-Upon procedures we found no instances in which Broker-in-Charge/Firm failed to comply with the North Carolina North Carolina Real Estate Commission’s rules regarding trust accounts.]

OR

[We wish to report the following to you regarding Broker-in-Charge/Firm’s compliance with the North Carolina North Carolina Real Estate Commission’s rules regarding trust accounts:]

Apart from the performance of the Agreed-Upon Procedures, we were not engaged to and did not conduct an examination for the purpose of expressing an opinion on whether Broker-in-Charge/Firm complied with the North Carolina North Carolina Real Estate Commission’s rules regarding Broker-in-Charge’s trust accounts. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Broker-in-Charge/Firm and the North Carolina North Carolina Real Estate Commission relative to Broker-in-Charge/Firm’s exemption from the spot audit of broker-in-Charge trust accounts authorized by N.C.G.S. §93A-6(d) and NCAC58A .0108 and .0117.

[CPA/CPA firm Name]

[Signature]

[Date]