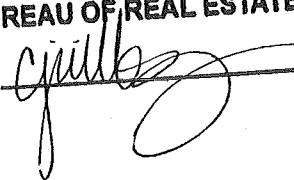


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BUREAU OF REAL ESTATE

By



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BEFORE THE BUREAU OF REAL ESTATE

STATE OF CALIFORNIA

| | | |
|--|---|-----------------------|
| In the Matter of the Accusation of |) | CALBRE NO. H-39809 LA |
| |) | |
| VALLEY INSURED PROPERTY |) | <u>ACCUSATION</u> |
| MANAGEMENT, INC. and |) | |
| CHRISTOPHER RYAN WATKINS, |) | |
| individually and as designated officer for |) | |
| Valley Insured Property Management, Inc., |) | |
| |) | |
| Respondents. |) | |

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, for cause of Accusation against VALLEY INSURED PROPERTY MANAGEMENT, INC. and CHRISTOPHER RYAN WATKINS, individually and as designated officer for Valley Insured Property Management, Inc. (collectively "Respondents"), is informed and alleges as follows:

1.

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in her official capacity.

1 2.

2 Respondents are presently licensed and/or have license rights under the Real Estate Law
3 (Part 1 of Division 4 of the California Business and Professions Code).

4 3.

5 All references to the "Code" are to the California Business and Professions Code and all
6 references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

7 4.

8 From May 9, 1986, through the present, Respondent VALLEY INSURED PROPERTY
9 MANAGEMENT, INC. ("VIP") has been licensed by the Bureau of Real Estate ("Bureau") as a
10 real estate corporation, License ID 00927847.

11 5.

12 From December 28, 2012, through the present, Respondent CHRISTOPHER RYAN
13 WATKINS ("WATKINS") has been licensed by the Bureau as a real estate broker, License ID
14 01845842.

15 6.

16 From on or about April 11, 2013, through the present, VIP has been authorized to act by
17 and through Respondent WATKINS as its broker designated pursuant to Code Section 10159.2
18 to be responsible for ensuring compliance with the Real Estate Law. WATKINS is Vice-
19 President of VIP.

20 7.

21 From August 19, 1985, through the present, Leslie Ann Ray has been licensed by the
22 Bureau as a real estate broker, License ID 00462685. Leslie Ann Ray acted as designated officer
23 for VIP from on or about January 2, 1991 through July 12, 2010.

24 ///

1 8.

2 Joel Lewis, Aimee Lewis, and Carol Sommerville have never been licensed by the
3 Bureau in any capacity. Joel and Aimee Lewis are corporate officers, directors, and shareholders
4 of VIP. Joel Lewis is President and Chief Executive Officer of VIP. Aimee Lewis is Secretary
5 of VIP. Carol Sommerville was allegedly employed as a bookkeeper for VIP.

6 9.

7 All further references to "Respondents" include the parties listed in Paragraphs 4 through
8 7, above, as well as all officers, agents, independent contractors and/or employees of VIP.

9 Audit LA 130211

10 10.

11 On or about July 30, 2014, the Bureau completed a routine audit examination of the
12 books and records of Respondent VIP pertaining to VIP's property management activities which
13 require a real estate license pursuant to Code section 10131(b). The audit examination covered a
14 period of time beginning on April 1, 2013, to March 31, 2014. The audit examination revealed
15 violations of the Code and the Regulations as set forth in the following paragraphs, and more
16 fully discussed in Audit Report LA 130211 and the exhibits and work papers attached to said
17 audit report.

18 11.

19 During the audit period, VIP managed approximately 460 properties for 418 property
20 owners. VIP claimed to have maintained two (2) open bank accounts for the handling of the
21 receipts and disbursements of property management activities for the audit period as follows:

22 Trust Account 1 (T/A-1)

23 Bank: Desert Community Bank

24 Account Name: Valley Insured Property Management, Inc. Property Owners #2 Trust

Acct

Account #: xxx-xxxxxxx3101

Signatories: WATKINS, Joel Lewis, Aimee Lewis, and Leslie Ann Ray

of signatures required: 1

Description: T/A 1 was used to maintain rents collected from tenants for multiple beneficiaries. Disbursements from T/A 1 were for expenses related to the managed properties, owner remittances, and for VIP management fees.

Trust Account 2 (T/A-2)

Bank: Dessert Community Bank

Account Name: Valley Insured Property Management, Inc. Security Deposit #1 Trust

Account

Account #: xxx-xxxxxxx0001

Signatories: WATKINS, Joel Lewis, Aimee Lewis, and Leslie Ray

of signatures required: 1

Description: T/A 2 was used to maintain security deposits collected from tenants for multiple beneficiaries. Disbursements from T/A 2 were for payments for security deposit refunds to tenants when they moved from the rental properties.

Violations

12.

In the course of its property management activities during the examination period described in Paragraph 10, Respondent VIP acted in violation of the Code and the Regulations as follows:

Issue 1(a). Code Section 10145 and Regulation 2832.1 – Trust Fund Handling for Multiple Beneficiaries

1 The Bureau's auditor calculated the adjusted bank balance for T/A 1 as of April 30, 2013
2 and compared said balances to the related trust fund accountability. T/A 1 had a minimum
3 shortage of <\$93,955.25>, in violation of Code section 10145 and Regulation 2832.1. The
4 minimum adjusted bank balance for T/A 1 on April 30, 2013 was \$143,024.44. The minimum
5 accountability for T/A 1 on April 30, 2013 was <\$236,979.69>. The cause(s) for the shortage of
6 <\$93,955.25> could not be identified.

7 Issue 1(b). Code Section 10145 and Regulation 2832.1 – Trust Fund Handling for
8 Multiple Beneficiaries

9 T/A 1 had a minimum shortage of <\$187,899.32>, in violation of Code section
10 10145 and Regulation 2832.1. The minimum adjusted bank balance for T/A 1 on March 31,
11 2014 was \$233,812.75. The minimum accountability for T/A 1 on March 31, 2014 was
12 <\$421,712.07

13 According to WATKINS and Joel Lewis, VIP's former bookkeeper, Carol Sommerville
14 embezzled funds from VIP. WATKINS produced a statement allegedly signed by Sommerville
15 on April 22, 2014, in which Sommerville admits to embezzling a projected amount of \$175,000
16 from VIP.

17 Issue 1(c). Code Section 10145 and Regulation 2832.1 – Trust Fund Handling for
18 Multiple Beneficiaries

19 T/A 2 had a shortage of <\$850.00> as of March 31, 2014 due to a negative property
20 balance for 10648 Joshua St., Adelanto, California.

21 On May 5, 2014, VIP deposited check #592 dated May 15, 2014 for the amount
22 of \$178,002.98 into T/A 1 to cure part of the minimum shortage for T/A 1. On May 19, 2014,
23 VIP DEPOSITED \$9,630.34 into T/A/ 1 to cure a portion of the minimum shortage for
24 T/A 1.

1 During the audit period, VIP failed to maintain an accurate, separate record and control
2 record of the receipts and disposition of all trust funds deposited into T/A 1 as required by Code
3 section 10145(g) and Regulation 2831.1. VIP failed to maintain an accurate monthly
4 reconciliation comparing the balance of all separate beneficiaries or transaction records to the
5 balance of the record of all trust funds received and disbursed for T/A 1 as required.

6 VIP provided no evidence that the owners of the trust funds had given their written
7 consent to allow VIP to reduce the balance of funds in T/A 1 to an amount less than the existing
8 aggregate trust funds liabilities.

9 Issue 2. Code Sections 10145, 10176(i), 10177(j). Handling of Trust Funds/ Fraud or
10 Dishonest Dealing/Embezzlement

11 The balance of T/A 1 was reduced to an amount that was less than the amount of trust
12 funds deposited due to the fact that not all trust funds received by VIP were deposited into T/A 1,
13 in violation of Code sections 10145, 10176(i), 10177(j). According to WATKINS and Joel
14 Lewis, VIP's former bookkeeper, Carol Sommerville embezzled funds from VIP. WATKINS
15 produced a statement allegedly signed by Sommerville on April 22, 2014, in which Sommerville
16 admits to embezzling a projected amount of \$175,000 from VIP. Based on an examination of the
17 records provided to the Bureau's auditor by VIP, the auditor was able to identify a minimum of
18 \$53,309.58 of tenants' rents and monies that were not deposited into VIP's trust accounts.

19 Issue 3. Code Section 10145 and Regulation 2831. Trust Fund Records To Be
20 Maintained

21 Based on the examination of VIP's records provided to the Bureau's auditor, the records
22 of all trust funds received and disbursed (control records) maintained by VIP for its property
23 management activities for T/A 1 were inaccurate. There were allegedly rents received in the
24 form of money orders with blank payees totaling \$59,309.59 there were recorded as deposits. In

fact, funds received were not deposited into T/A 1A. T/A 1 did not reflect accurate trust fund dates of deposit and a daily balance, in violation of Code section 10145 and Regulation 2381.

Issue 4. Code Section 10145 and Regulation 2831.1. Separate Records for Each Beneficiary or Transaction.

VIP failed to maintain accurate, separate records for each beneficiary or transaction for T/A 1. VIP's separate records did not reflect an accurate accounting of trust funds collected from tenants and deposited into T/A 1. During the audit period, VIP failed to maintain an accurate separate record of the receipt and disposition of all trust funds deposited into T/A 1, in violation of Code section 10145(g) and Regulation 2831.1.

Issue 5. Code Section 10145 and Regulation 2831.2. Trust Account Reconciliation

During the audit period, VIP failed to perform and maintain an accurate monthly reconciliation comparing the balance of all separate beneficiary or transaction records (separate records) to the balance of all trust funds received and disbursed (control record) for T/A 1, as required. The reconciliation for February 2014 allegedly performed by Sommerville for VIP, showed that the trust account was balanced when, in fact, it had a discrepancy of at least <\$171,000>. T/A 1 contained unidentified and unaccounted for funds of at least \$130,673.15 as of March 31, 2014. Said acts, conduct or omissions are in violation of Code section 10145 and Regulation 2831.2.

Issue 6. Code Section 10145 and Regulation 2834. Trust Account Withdrawals

Based on bank account signature cards and discussions between WATKINS and the Bureau's auditor, VIP allowed Joel Lewis and Aimee Lewis be signatories and make withdrawals from T/A 1 and T/A 2 even though Joel and Aimee Lewis are not licensed by the Bureau and VIP did not have Fidelity Bond Coverage during the audit period, in violation of Code Section 10145 and Regulation 2834.

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1 this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of
2 the case.

3 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
4 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
5 action against all licenses and/or license rights of Respondents VALLEY INSURED
6 PROPERTY MANAGEMENT, INC. and CHRISTOPHER RYAN WATKINS, individually and
7 as designated officer for Valley Insured Property Management, Inc. under the Real Estate Law
8 (Part 1 of Division 4 of the Business and Professions Code), for the cost of investigation and
9 enforcement as permitted by law, and for such other and further relief as may be proper under
10 other provisions of law.

11 Dated at Los Angeles, California

12 this 20th day of March, 2015.

13
14 
15 MARIA SUAREZ
16 Deputy Real Estate Commissioner
17
18
19
20

21 cc: Valley Insured Property Management, Inc.
22 Christopher Ryan Watkins
23 Maria Suarez
24 Sacto.