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**FILED**

**MAR 03 2016**

**BUREAU OF REAL ESTATE**

By John Burt

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7  
8 BEFORE THE BUREAU OF REAL ESTATE  
9 STATE OF CALIFORNIA

10 \* \* \*

11 In the Matter of the Accusation against )

No. H-04779 SD

12 PROPERTY MANAGEMENT EXECUTIVES and )  
CHRISTOPHER M. BUMP, licensed as )  
13 designated officer of Property Management )  
Executives, )

ACCUSATION

14 Respondents. )  
15

16 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the  
17 Bureau of Real Estate ("Bureau") of the State of California, for cause of Accusation against  
18 PROPERTY MANAGEMENT EXECUTIVES and CHRISTOPHER M. BUMP, licensed as  
19 designated officer of Property Management Executives (collectively "Respondents"), alleges as  
20 follows:

21 1.

22 The Complainant, Veronica Kilpatrick, acting in her official capacity as a  
23 Supervising Special Investigator, makes this Accusation against Respondent.

24 ///

1 2.

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

4 3.

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

7 4.

8 From January 30, 2006, through the present, Respondent PROPERTY MANAGEMENT  
9 EXECUTIVES ("PME") has been licensed by the Bureau as a real estate corporation, License ID  
10 01521684.

11 5.

12 From January 30, 2006, through the present, Respondent CHRISTOPHER M. BUMP  
13 ("BUMP") has been licensed as the designated officer for PME, License ID 01361110. From  
14 December 11, 2002, through January 8, 2011, Respondent BUMP was individually licensed by  
15 the Bureau as a real estate broker. Respondent BUMP's real estate broker license expired on  
16 January 08, 2011.

17 6.

18 At all times herein mentioned, Respondent PME was licensed as a real estate corporation,  
19 acting by and through Respondent BUMP as its designated officer. As the officer designated by  
20 Respondent PME pursuant to Section 10211 of the Code, BUMP was responsible for the  
21 supervision and control of the activities conducted on behalf of Respondent PME, by its officers  
22 and employees, as necessary to secure full compliance with Real Estate Law as set forth in Code  
23 Section 10159.2 and Regulation 2725.

1 Audit SD 150003

2 7.

3 On or about November 23, 2015, the Bureau completed a routine audit examination of  
4 the books and records of Respondent PME's property management activities which require a real  
5 estate license pursuant to Code section 10131(b). The audit examination covered a period of  
6 time from July 1, 2014 through June 30, 2015. The audit examination revealed violations of the  
7 Code and the Regulations as set forth in the following paragraphs, and more fully discussed in  
8 Audit Report SD 150003 and the exhibits and work papers attached to said audit report.

9 8.

10 An entrance interview was held on August 12, 2015 with Respondent BUMP. According  
11 to Respondent BUMP, Respondent PME managed 89 residential properties (135 units), 4  
12 apartment complexes (31 units), and 1 commercial complex (8 units) for approximately 105  
13 owners, during the audit period described above in Paragraph 7. PME collects rents, pays  
14 expenses, and screen tenants for compensation. PME collected approximately \$2,512,436.00 in  
15 rents and security deposits from tenants in a twelve month period.

16 9.

17 According to Respondent BUMP, PME maintained the following three bank accounts  
18 during the audit period:

19 Bank Account #1 (BA1)

20 Bank: Chase Bank

21 Account Name: Property Management Executives

22 Account #: xxxxx2766

23 Signer(s): Respondent BUMP

24 # of signatures required: One (1)

1 Description: BA1 was used as a depository (primarily electronically-ACH) for multiple  
2 beneficiaries for security deposits and rents collected from tenants and included transfers  
3 of trust funds from BA2. Disbursements from BA1 were payments for expenses related  
4 to the properties managed, for owner remittances, and to PME for management fees (via  
5 transfers to PME's general account).

6 Bank Account #2 (BA2)

7 Bank: Chase Bank

8 Account Name: Property Management Executives

9 Account #: xxxxx0398

10 Signer(s): Respondent BUMP

11 # of signatures required: One (1)

12 Description: BA2 was used for multiple beneficiaries so tenants could deposit their rent  
13 at any Chase Bank branch. Tenants were not allowed to pay rent at PME's office or to  
14 mail their rent payment to PME. Tenants were instructed to deposit their rent payment  
15 directly into BA2 at any Chase branch. BUMP transferred trust funds from BA2 to BA1.  
16 Trust fund related disbursements from BA2 were transfers to BA1 and for bank charges.

17 PME's General bank account #3 (GA)

18 Bank: Chase Bank

19 Account Name: Property Management Executives

20 Account #: xxxxx5342

21 Description: GA is a general account for PME.

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23 ///

24 ///

1 Violations

2 10.

3 In the course of its property management activities during the audit examination period  
4 described above in Paragraph 7, Respondent PME acted in violation of the Code and the  
5 Regulations as follows:

6 (a). Issue One. Code Section 10145(a) and Regulation 2832.1. Trust fund handling for  
7 multiple beneficiaries

8 A combined bank reconciliation was prepared for BA1 and BA2 as of June 30, 2015. As  
9 of June 30, 2015, there was a combined minimum shortage of <\$61,692.32>. The minimum  
10 shortage was caused by minimum negative property balances of <\$5,927.81>, minimum  
11 conversion of trust funds in BA1 of <\$27,362.51>, and minimum unidentified causes of  
12 <\$28,402.00>.

13 Respondents failed to provide any evidence that the owners of the trust funds had given  
14 their written consent to allow Respondents to reduce the balance of the funds in BA1 and BA2 to  
15 an amount less than the existing aggregate trust fund liabilities, in violation of Code section  
16 10145 and Regulation 2832.1.

17 Respondents cured the minimum shortage of <\$61,692.32> by August 14, 2015.

18 (b). Issue Two. Code Section 10145 and Regulation 2831. Trust fund records to be  
19 maintained

20 Respondent PME failed to maintain accurate or complete records of trust funds received  
21 and disbursed (control records) for BA1, in violation of Code section 10145 and Regulation  
22 2381. As of June 30, 2015, the BA1 control record balance did not reconcile with the adjusted  
23 bank balance of BA1. Management fees were paid to PME by electronic transfers from BA1 to  
24 GA. The management fees were recorded at the end of each month; however, BUMP did not

1 transfer the funds (management fees) from BA1 to GA until the beginning of the following  
2 month. A sample of deposits in BA1 were examined and the recorded date of trust funds  
3 received in the control record were inaccurate, specifically, the dates of receipt of transfers from  
4 BA2 into BA1 and transfers from GA into BA1. Examples of such transfers include, without  
5 limitation, the following:

<u>Date of Transfer from GA into BA1</u>	<u>Recorded Date of Receipt from GA</u>
3/27/2015 \$875.00 (1117 Helix St.#1)	3/05/2015
6/09/2015 \$875.00 (1117 Helix St.#1)	6/05/2015
<u>Date of Transfer from BA2 into BA1</u>	<u>Recorded Date of Receipt from GA</u>
03/27/2015 \$1,200.00 (4036 Winona)	3/15/2015
5/27/2015 \$1,350.00 (4255 34 <sup>th</sup> St.)	5/08/2015

12 (c). Issue Three. Code Section 10145 and Regulation 2831.1. Separate records for each  
13 beneficiary or transaction

14 Respondent PME failed to maintain separate records for BA2. Respondent PME also  
15 failed to maintain complete and/or accurate, separate records for BA1 of all trust funds received  
16 and disbursed related to PME's property management activities, in violation of Code section  
17 10145 and Regulation 2831.1.

18 (d). Issue Four. Code Section 10145 and Regulation 2831.2. Bank account  
19 reconciliation

20 During the audit period, Respondent PME failed to maintain a monthly and timely  
21 reconciliation comparing the balance of the record of all trust funds received and disbursed  
22 (control record) for BA1 and BA2, in violation of Code section 10145 and Regulation 2831.2.

1 (e). Issue Five. Code Section 10145 and Regulation 2832. Trust fund handling/Trust  
2 account designation

3 Based on the bank signature cards for BA1 and BA2, Respondent PME used the bank  
4 accounts to hold trust funds although the accounts were not designated as trust accounts in  
5 Respondent's name as trustee, in violation of Code Section 10145 and Regulation 2832.  
6 Moreover, trust funds received by check and deposited into BA1 were not always deposited  
7 within three business days of receipt of funds including for, but not limited to, the following  
8 examples:

<u>Property</u>	<u>Date Received</u>	<u>Amount</u>	<u>Date Deposited</u>
7115 Westview Pl.#D	01/05/15	\$1,350.00	01/23/15
368 Kaymar Dr.	02/11/15	\$1,500.00	02/26/15
1117 Helix St.#J	04/05/15	\$ 900.00	04/23/15

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10  
11  
12  
13 (f). Issue Six. Code Sections 10145, 10176(i) or 10177(j). Conversion/ Unauthorized  
14 disbursements/Handling of trust funds

15 During the audit period, Respondent BUMP converted trust funds by using \$25,537.36  
16 from BA1 to pay expenses related to property owned by Respondent BUMP and BUMP's  
17 mother, in violation of Code Sections 10145 and 10176(i) or 10177(j). Respondent BUMP  
18 maintained a separate record titled "PME" for PME's funds in BA1. Respondent BUMP  
19 converted trust funds by using funds in BA1 to pay for expenses recorded in the PME separate  
20 record. There was a recorded negative balance in the PME separate record of <\$1,825.25> as of  
21 June 30, 2015. The PME separate record did not maintain a positive balance during the entire  
22 audit period. Most disbursements recorded through PME's separate record were related to bank  
23 charges.

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1 (g). Issue Seven. Code Sections 10145, 10176(e), and Regulation 2832.

2 Commingling/Trust Fund Handling

3 During the audit period, GA and BA2 had the same account name and were maintained  
4 by the same bank. Respondents required that tenants deposit their rent payments directly into  
5 BA2. Tenants would sometimes erroneously deposit trust funds (rent payments) into GA  
6 (PME's general bank account) instead of BA2. Thus, trust funds were commingled with PME's  
7 funds in violation of Code Sections 10145, 10176(e) and Regulation 2832. Respondent BUMP  
8 would transfer the trust funds from GA into BA1 after discovering that trust funds were  
9 deposited into GA; however, some of the trust funds deposited in the GA account in error were  
10 not transferred to BA1 in a timely manner. Examples of said deposits include, but are not  
11 limited to, the following:

<u>Date of Deposit in GA</u>	<u>Amount</u>	<u>Date of Transfer into BA1</u>
02/06/15	\$875.00	02/10/15
03/06/15	\$875.00	03/27/15
05/08/15	\$875.00	06/09/15
05/18/15	\$700.00	05/26/15

17 11.

18 The conduct of Respondent PME, described above in Paragraphs 10(a) through 10(g),  
19 violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
10(a)	Code Section 10145 and Regulations 2832.1
10(b)	Code Section 10145 and Regulations 2831
10(c)	Code Section 10145 and Regulation 2831.1
10(d)	Code Section 10145 and Regulation 2831.2

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
10(e)	Code Section 10145 and Regulation 2832
10(f)	Code Sections 10145 and 10176(i) or 10177(j)
10(g)	Code Sections 10145, 10176(e), and Regulation 2832

The foregoing violations constitute cause for the suspension or revocation of the real estate licenses and license rights of PME under the provisions of Code Sections 10177(d), 10176(e), 10176(i) or 10177(j), and 10177(g).

12.

Respondent BUMP's failure to exercise reasonable supervision and control of PME's property management activities to ensure compliance with the Real Estate Law constitutes cause for the suspension or revocation of the real estate licenses and license rights of Respondent BUMP under the provisions of Code Sections 10177(h), 10177(d), and/or 10177(g).

Audit Costs

13.

Code Section 10148(b) provides, in pertinent part, that the Commissioner shall charge a real estate broker for the cost of any audit, if the Commissioner has found in a final decision following a disciplinary hearing that the broker has violated Code section 10145 or a regulation or rule of the Commissioner interpreting said section.

Investigation/Enforcement Costs

14.

Code Section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Bureau of Real Estate, the Commissioner may request the administrative law judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

