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FILED

MAY 18 2023

DEPT. OF REAL ESTATE

By 

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation Against)	No. H-05754 SD
)	
MELROY ASSET MANAGEMENT INC;)	
VIDA KAREN MELROY, individually and as)	<u>ACCUSATION</u>
Designated Officer of Melroy Asset Management Inc,)	
)	
Respondents.)	
)	

The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the State of California, for cause of Accusation against MELROY ASSET MANAGEMENT INC ("MAMI") and VIDA KAREN MELROY ("MELROY"), individually and as designated officer of Melroy Asset Management Inc., (sometimes referred to as "Respondents") alleges as follows:

1.

The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the State of California, makes this Accusation in her official capacity.

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ACCUSATION

2.

All references to the "Code" are to the Real Estate Law, Part 1 of Division 4 of the California Business and Professions Code and all references to "Regulations" are to Title 10, Chapter 6, of the California Code of Regulations.

LICENSE HISTORY

(MELROY ASSET MANAGEMENT INC)

3.

a. Respondent MAMI is presently licensed and/or has license rights under the Code, as a restricted corporate real estate broker with Department of Real Estate ("Department") license ID 01272499.

b. MAMI's real estate license was originally issued on January 7, 2000, and is scheduled to expire on February 8, 2025, unless renewed.

c. Since February 9, 2021, MAMI's designated officer is Respondent MELROY. As of February 6, 2023, MAMI has employed two salespersons and two broker associates.

e. Since February 9, 2021, MAMI has maintained the fictitious business name "Melroy Property Management" under its real estate license with the Department.

(VIDA KAREN MELROY)

4.

a. Respondent MELROY is presently licensed and/or has license rights under the Code, as a restricted real estate broker with Department license ID 01149415.

b. MELROY's real estate broker license was originally issued on March 8, 2001, and is scheduled to expire on February 8, 2025, unless renewed.

c. MELROY is the designated officer for MAMI. MELROY's designation is scheduled to expire on February 8, 2025, unless renewed. As designated officer, MELROY is responsible for the supervision of the activities conducted on behalf of MAMI by its officers, agents, real estate licensees, and employees pursuant to Section 10159.2 of the Code.

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1 (PRIOR LICENSE DISCIPLINE)

2 5.

3 On or about February 24, 2020, in Case Number H-05132 SD, the Complainant
4 Veronica Kilpatrick, in her official capacity as a Supervising Special Investigator of the State of
5 California, issued an Accusation against Respondents. The Accusation alleged violations of the
6 Code and Regulations relating to their property management activities, as more fully described
7 in Audit Report SD180005. On or about October 20, 2020, the Real Estate Commissioner
8 issued a Decision and Order, effective November 25, 2020, revoking the real estate licenses of
9 Respondents. The Commissioner, however, allowed the issuance of restricted real estate
10 licenses to MAMI and MELROY under certain terms and conditions more fully set forth in the
11 Stipulation and Agreement and Settlement and Order filed on October 26, 2020. MAMI and
12 MELROY's real estate licenses remain restricted.

13 REAL ESTATE ACTIVITY

14 6.

15 At all times relevant herein, in the State of California, Respondents acted as real
16 estate brokers and conducted licensed activities within the meaning of Code section 10131(b),
17 by leasing or renting or offering to lease or rent, or placing for rent, or soliciting listings of
18 places for rent, or soliciting for prospective tenants, or negotiating the sale, purchase or
19 exchanges of leases on real property, or on a business opportunity, or collecting rents from real
20 property, or improvements thereon, or from business opportunities ("property management").

21 (AUDIT NO. SD210039)

22 7.

23 On or about February 28, 2023, the Department completed an audit examination
24 of the books and records of Respondent MAMI pertaining to its property management activities
25 described in Paragraph 6, above. The audit examination covered the period of time from
26 November 25, 2020, to May 31, 2022 ("audit period"). The purpose of the audit was to
27 determine whether Respondents complied with the terms of the Stipulation and Agreement in

1 Settlement and Order in Case No. H-05132 SD, which became effective November 25, 2020.
2 This audit examination revealed violations of the Code and the Regulations as set forth in the
3 following paragraphs, and more fully discussed in Audit Report No. SD210039 and the exhibits
4 and work papers attached to said audit report.

5 8.

6 A Department auditor conducted an interview on July 6, 2022, at MAMI's main
7 office location. The auditor met with MELROY and Daniel Joseph Melroy ("Mr. Melroy")
8 (Department ID 01319904), a broker associate with MAMI. Mr. Melroy was the primary person
9 who provided the records for examination related to MAMI's property management activities.
10 Based on the documents examined and the Department's auditor's discussions with
11 Respondents, MAMI managed approximately 103 one-to-four family residential properties, 57
12 apartment complexes, and 1 vacation rental for 106 property owners during the audit period.

13 9.

14 According to MELROY and the records provided for the audit examination,
15 MAMI maintained eight (8) active bank accounts for its property management activity during
16 the audit period. MAMI maintained two (2) bank accounts for multiple beneficiaries and six (6)
17 single beneficiary bank accounts. The auditor only examined BA-1 (Wells Fargo Bank,
18 Account No. xxx0846) and BA-2 (Wells Fargo Bank, Account No. xxx0853), bank accounts
19 for multiple beneficiaries, and BA-3 (Wells Fargo Bank, Account No. xxx2701), a single
20 beneficiary bank account, as of May 31, 2022.

21 Violations

22 10.

23 The audit examination revealed violations of the Code and the Regulations, as
24 set forth in the following paragraphs, and more fully discussed in Audit Report No. SD210039
25 and the exhibits and work papers attached to the audit report:

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27 ///

1 **(a) Trust Fund Handling and Balances (Code section 10145, Regulations section 2832.1).**

2 BA-1: As of May 31, 2022, BA-1 was examined and the reconciliation showed
3 the account had, at a minimum, unidentified funds of \$4,991.92 due to poor record keeping.

4 BA-2: As of May 31, 2022, BA-2 had, at a minimum, a shortage of \$46,729.72
5 caused by a shortage of \$46,529.72, that carried over from the shortage as of June 30, 2018,
6 from the prior audit in Audit Report SD180005, and a negative property balance of \$200.00. In
7 addition, BA-2 had, at a minimum, unidentified funds of \$2,446.12 as of May 31, 2022.

8 Respondents did not provide any evidence to the auditor that the owners of the trust funds had
9 given their written consent to allow Respondents to reduce the balance of the funds in BA-2.

10 BA-3: As of May 31, 2022, BA-3, a single beneficiary bank account, had a
11 discrepancy of \$10,000.00 due to poor record keeping.

12 **(b) Trust Fund Records to be Maintained (Code section 10145, Regulations section 2831).**

13 Based on an examination of records provided for the audit, the records of all trust funds
14 received, disbursed, and maintained by Respondents for its property management activities for
15 BA-1, BA-2, and BA-3 were inaccurate and incomplete during the audit period.

16 **(c) Separate Record for Each Beneficiary or Transaction (Code section 10145 and**

17 **Regulations section 2831.1).** Based on an examination of the records provided for the audit,
18 Respondents failed to maintain a separate record of the receipt and disbursement of all trust
19 funds deposited in BA-1 and BA-2 and failed to maintain an accurate record of receipts and
20 disbursements of trust funds related to MAMI's property management activity during the audit
21 period.

22 **(d) Trust Account Reconciliation (Code section 10145, Regulations section 2831.2).** MAMI

23 did not perform and maintain an accurate monthly reconciliation comparing the balance of all
24 separate beneficiaries or transaction records to the balance of the record of all trust funds
25 received and disbursed for BA-1 and BA-2. The reconciliation performed by Respondents for
26 May 31, 2022, showed that BA-2 did not have any discrepancy, when it in fact had a shortage
27 of, at a minimum, \$46,729.72.

1 **(e) Trust Fund Handling/Account Designation (Code section 10145, Regulations section**
2 **2832).** Based on an examination of Wells Fargo Bank's "Master Signature Agreement" dated

3 April 23, 2010 for BA-1, BA-2, and BA-3, the bank accounts were not designated as trust
4 accounts in the name of MAMI or its licensed fictitious business name as trustee.

5 **(f) Responsibility of Corporate Officer in Charge (Code section 10159.2).** Based on the
6 above findings, MELROY failed to adequately supervise and control the activities conducted by
7 MAMI and its employees and salespersons.

8 11.

9 Each of the foregoing violations in Paragraph 10 above, constitutes cause for the
10 suspension or revocation of the real estate license and/or license rights of Respondents MAMI
11 and MELROY under the provisions of Code sections 10177(d) and/or 10177(g).

12 COSTS

13 (AUDIT COSTS)

14 12.

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

20 (INVESTIGATION AND ENFORCEMENT COSTS)


21 13.

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

26 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of
27 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action

1 against all the licenses and/or license rights of Respondents MELROY ASSET
2 MANAGEMENT INC and VIDA KAREN MELROY under the Real Estate Law, for the costs
3 of investigation, audit, and enforcement as permitted by law, and for such other and further
4 relief as may be proper under other applicable provisions of law.

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6 Dated at San Diego, California this 11th day of May, 2023.

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10 Veronica Kilpatrick
11 Supervising Special Investigator
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25 cc: MELROY ASSET MANAGEMENT INC
26 VIDA KAREN MELROY
27 Veronica Kilpatrick
Sacto.
Audits – Godswill Keraoru