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DEPT. OF REAL ESTATE
By Cal Delouis

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation against

DENNIS BARROCAS, individually and as
designated officer for Cornerstone R/E
Management, Inc.,

Respondent.

DRE No. H-41401 LA

ACCUSATION

The Complainant, Maria Suarez, a Supervising Special Investigator for the Department of Real Estate ("Department") of the State of California, for cause of Accusation against DENNIS BARROCAS, individually and as designated officer for Cornerstone R/E Management, Inc. ("Respondent"), alleges as follows:

1. The Complainant, Maria Suarez, acting in her official capacity as a Supervising Special Investigator, makes this Accusation against Respondent.

2. All references to the "Code" are to the California Business and Professions Code, all references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references

1 to "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,
2 California Code of Regulations.

3 3. Respondent is presently licensed and/or has license rights under the Real Estate
4 Law (Part 1 of Division 4 of the Code).

5 License History

6 4. From October 11, 2006 through the present, Respondent DENNIS BARROCAS
7 ("Respondent") has been licensed by the Department as a real estate broker, License ID
8 01177193. Respondent was formerly licensed as a real estate salesperson from on or about
9 February 24, 1994 through October 10, 2006.

10 5. On August 8, 2017, Cornerstone R/E Management, Inc. ("Cornerstone") obtained
11 a real estate corporation license (License ID 02043101) from the Department.

12 6. Cornerstone is a California corporation formed on or about May 7, 1997.

13 7. Respondent is an officer or director of Cornerstone. Respondent is also the
14 designated broker for Cornerstone. Respondent is responsible, pursuant to Code section
15 10159.2, for supervising the activities requiring a real estate license conducted on behalf
16 Cornerstone by its officers, salespersons, agents, and employees.

17 Broker Activities

18 8. At all times mentioned herein, in the State of California, Respondent acted as a
19 real estate broker and conducted licensed activities within the meaning of Code section 10131(b)
20 (solicit or offer to negotiate the sale, purchase or exchange of leases, or collects rents from real
21 property or on a business opportunity).

Audit LA 160220

9. On or about November 7, 2017, the Department completed an audit examination of the books and records of Respondent's property management activities which require a real estate license pursuant to Code section 10131(b).

10. The audit covered a period of time from June 1, 2016 through May 31, 2017 ("audit period").

11. The audit examination revealed violations of the Code and the Regulations as set forth in the following paragraphs, and more fully discussed in Audit Report LA 160220 and the exhibits and work papers attached to said audit report.

12. An entrance interview was held on July 28, 2017 with Respondent, Connie Janise Barrocas (formerly licensed as a real estate salesperson, ID 00948012), and Respondent's attorney for the audit.

13. According to Respondent and the audit work papers examined, Respondent managed approximately 51 one-to-four family residential properties, 74 apartment complexes with 474 units and 15 commercial buildings with 77 units for 106 property owners during the audit period. Respondent also managed 22 Home Owner Associations ("HOA").

14. Respondent charged a management fee of three to ten percent (3% - 10%) of monthly collected rents.

15. During the audit period, Respondent was not licensed by the Department to do business under any fictitious business name, including, but not limited to, Cornerstone R/E Management, Inc.

16. According to Respondent, he maintained the following bank accounts for property management activities during the audit period:

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21. Properties with negative balances include the following:

<u>Property Owner</u>	<u>Amount</u>
H.A. ¹	<\$10,796.58>
D.E.	<\$ 275.00>
H.H. & E.H	<\$ 881.41>
L.J.P.M. Trust	<\$ 467.20>
N.G.	<\$ 929.00>
F.L. HOA	<\$ 820.28>
Total	<\$14,169.47>

22. Respondent failed to provide any evidence that the owners of the trust funds had given their written consent to allow Respondent to reduce the balance of the funds in T/A 1 to an amount less than the existing aggregate trust fund liabilities, in violation of Code section 10145 and Regulation 2832.1.

23. On June 29, 2017, property owner H.A. made a deposit of \$8,000 into T/A 1 to increase the balance of H.A.'s account. Respondent also made a deposit of \$16,239.80 using Cornerstone's general account (#XXXX804) to cure most of the remaining shortage in T/A 1.

24. Issue Two. Code section 10145 and Regulation 2832. Trust fund handling

Based on the work papers examined, Respondent used T/A 1 to hold trust funds although the account was not set up in Respondent's name as trustee, in violation of Code section 10145 and Regulation 2832. The account was set up in the name of Cornerstone, which was unlicensed at the time. In addition, Respondent collected trust funds in the form of rent receipts and did not deposit the trust funds into T/A 1 within three (3) business days following the receipt of the funds. Examples include, without limitation, the following:

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¹ Initials are used in place of individuals' full names to protect their privacy. Documents containing individuals' full names will be provided during the discovery phase of this case to Respondent and/or his attorney, after service of a timely and proper request for discovery on Complainant's counsel.

	<u>Tenant</u>	<u>Property Code</u>	<u>Date Received</u>	<u>Date Deposited</u>	<u>Amount</u>
1	1. SP Housing 13	5616TE	3/1/2017	3/20/2017	\$1,060
2	2. T.S.	160HL	5/4/2017	5/9/2017	\$1,030
3	3. H.P.	825CAT	3/4/2017	3/9/2017	\$1,590
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25. Issue Three. Code section 10145 and Regulation 2831. Trust fund records to be maintained.

Respondent failed to maintain accurate or complete records of trust funds received and disbursed (control records) for T/A 1, in violation of Code section 10145 and Regulation 2381. Some internal transfers recorded on the control record did not state from whom trust funds were received and/or to whom trust funds were disbursed. Examples of the inaccurate entries include, without limitation, the following:

	<u>Date Transferred</u>	<u>From Property</u>	<u>Property Owner</u>	<u>To Property</u>	<u>Property Owner</u>	<u>Amount</u>
13	1. 11/29/2016	183CHE	W.L.T.	731 MAR	W.T.	\$7,000
14	2. 11/29/2016	191FIL	W.L.T.	731 MAR	W.T.	\$7,000
15	3. 11/30/2016	414LIM	G.F.W.	1416BE	G.F.W.	\$25,000
16	4. 3/30/2017	414LIM	G.F.W.	1416BE	G.F.W.	\$3,600
17	5. 5/24/2017	12787T	H.A.	1801VIA	H.A.	\$4,000
18	6. 5/24/2017	162984T	H.A.	1801VIA	H.A.	\$3,000
19	7. 5/24/2017	2818MA	H.A.	1801VIA	H.A.	\$3,000
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26. Further, Respondent collected trust fund receipts and made disbursements without properly recording from whom trust funds were received or to whom the trust funds were disbursed. Examples include, but are not limited to, the following:

<u>Date</u>	<u>Funds Received From</u>	<u>Funds Disbursed To</u>	<u>Amount Received</u>	<u>Amount Disbursed</u>
1. 10/5/2016	blank	J/E (Journal entry)	\$4,314.00	blank
2. 8/18/2016	blank	J/E		\$ 10.00
3. 2/1/2017	blank	J/E		\$746.00

27. Issue Four. Code section 10145 and Regulation 2831.2. Trust account reconciliation

During the audit period, Respondent failed to maintain a monthly and timely 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 and TA2, in violation of Code section 10145 and Regulation 2831.2.

28. Issue Five. Code section 10145 and Regulation 2834. Trust account withdrawals.

During the audit period, Respondent's unlicensed employee Connie Barracas, was allowed to make withdrawals from T/A 1 without having fidelity bond coverage and written authorization from Respondent, in violation of Code section 10145(g) and Regulation 2834.

29. An examination of the bank signature card for T/A 1 showed that Connie Barracas was listed as a signer for the account.

30. Issue Six. Code sections 10145 and 10176(i) or 10177(j). Handling of trust funds/Unauthorized disbursements/Conversion of funds.

During the audit period, Respondent made unauthorized disbursements to purchase postage and other miscellaneous transactions using trust funds from T/A 1, in violation of Code section 10145 and Code section 10176, subdivision (i) or Code section 10177, subdivision (j).

1 31. According to Respondent, the separate record, "540Eld2" (also referenced as
2 Respondent's "suspense account") was used to purchase postage, record errors, and record
3 miscellaneous receipts and disbursements. Errors and miscellaneous receipts, such as
4 reimbursements from third-party vendors, were later allocated to the proper account.

5 32. As of May 31, 2017, there was a recorded negative balance in the "540Eld2"
6 account for <\$11,939.80>. The majority of the unauthorized disbursements were made for
7 postage purchases.

8 33. On June 29, 2017, Respondent made a deposit of \$16,239.80 to cure the shortage
9 caused by the unauthorized disbursements in T/A 1.

10 34. Issue Seven. Code section 10159.5 and Regulation 2731. Use of unlicensed false or
11 fictitious business name

12 During the audit period, Respondent used the unlicensed fictitious business name,
13 "Cornerstone R/E Management, Inc." to engage in activities requiring a real estate license
14 without first obtaining a license from the Department in violation of Code section 10159.5 and
15 Regulation 2731.

16 35. On or about August 8, 2017, Respondent obtained a real estate corporation license
17 for Cornerstone R/E Management, Inc. (License ID 02043101) from the Department.

18 36. The conduct, acts, and/or omissions of Respondent as described above in
19 Paragraphs 19 through 35, violated the Code and the Regulations as set forth below:

<u>Issue</u>	<u>Paragraphs</u>	<u>Violations</u>
1	19-23	Code section 10145 and Regulation 2832.1
2	24	Code section 10145 and Regulation 2832
3	25-26	Code section 10145 and Regulation 2831
4	27	Code section 10145 and Regulation 2831.2
5	28-29	Code section 10145 and Regulation 2834
6	30-33	Code sections 10145, 10176(i) or 10177(j)
7	34-35	Code section 10159.5 and Regulation 2731

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1 37. The foregoing violations constitute cause for the suspension or revocation of the
2 real estate licenses and license rights of Respondent under the provisions of Code sections
3 10177(d), 10176(i) or 10177(j), and/or 10177(g).

4 Audit Costs

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

9 Investigation/Enforcement Costs

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

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WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and/or license rights of Respondent under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law.

Dated at Los Angeles, California this 1st day of July, 2019.

MARIA SUAREZ
Supervising Special Investigator

cc: Dennis Barrocas
Cornerstone R/E Management, Inc.
Maria Suarez
Sacto
Audits/Shirley Xie