



Thomas A. Schweich
Missouri State Auditor

INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION

Division of Professional Registration

Missouri Real Estate Commission



November 2014
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CITIZENS SUMMARY

Findings in the audit of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, Missouri Real Estate Commission

Background	The Missouri Real Estate Commission was established in 1941. The Commission is responsible for the examination, licensing, and regulation of persons and firms who engage in real estate business in the state of Missouri. At June 30, 2014, there were 39,568 licensed real estate brokers, salespersons, and brokerage firms. The Commission consists of seven voting members, six with at least 10 years of experience as real estate brokers and one voting public member. Commission members are appointed by the Governor with the advice and consent of the Senate and serve a term of 5 years.
Findings	The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from our audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Division of Professional Registration

Missouri Real Estate Commission

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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Huff, Director
Department of Insurance, Financial Institutions, and Professional Registration
and
Jane A. Rackers, Director
Division of Professional Registration
and
Missouri Real Estate Commission
Jefferson City, Missouri

We have audited certain operations of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, Missouri Real Estate Commission, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2014 and 2013. The objectives of our audit were to:

1. Evaluate the commission's internal controls over significant management and financial functions.
2. Evaluate the commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the commission, and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the procedures applied in our audit of the commission.

For the areas audited, we identified (1) no significant deficiencies in internal control, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, Missouri Real Estate Commission.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Nicholas Schafer, MBA

Division of Professional Registration

Missouri Real Estate Commission

Organization and Statistical Information

The Missouri Real Estate Commission was established in 1941 by an act of the 61st Missouri General Assembly. The Omnibus State Reorganization Act of 1974 transferred the Commission to the Division of Professional Registration. By Executive Order 06-04, the division moved from the Department of Economic Development to the reorganized Department of Insurance, Financial Institutions, and Professional Registration on August 28, 2006.

The Commission is responsible for the examination, licensing, and regulation of persons and firms who engage in real estate business in the state of Missouri. At June 30, 2014, there were 40,123 licensed real estate brokers, salespersons, and brokerage firms. New issuance license fees for brokers, salespersons, and brokerage firms were \$80, \$40, and \$80, respectively, while biennial license renewal fees were \$50, \$40, and \$50, respectively.

The Commission consists of seven voting members, with six members having at least 10 years of experience as real estate brokers and one voting public member. Commission members are appointed by the Governor with the advice and consent of the Senate and serve a term of 5 years. Members whose terms expire may continue to serve until a replacement is appointed. The Commission members at June 30, 2014, were:

Member	Term Expires
Sharon Keating, Chairperson	October 16, 2012
Charles Misko, Vice Chairperson	October 16, 2012
Doris Carlin, Member	October 16, 2010
Charles Davis Member	October 16, 2010
Twila Hillme, Member	October 16, 2011
Stephen Kenny, Member	October 16, 2013
Rosemary Vitale, Member	October 16, 2010

Commission members receive a \$75 per diem compensation and expenses while performing their duties. The Commission appoints an executive director to perform the administrative duties of the Commission. Janet Carder serves as Executive Director. Eighteen other employees perform administrative duties and responsibilities.

Appendix A

Division of Professional Registration

Missouri Real Estate Commission

Missouri Real Estate Commission Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

	Year Ended June 30,	
	2014	2,013
RECEIPTS		
Professional license or permit fees	\$ 1,324,500	1,689,095
Penalties	41,180	149,320
Other fees	28,421	47,758
Overpayments	5,906	20,835
Total Receipts	1,400,007	1,907,008
DISBURSEMENTS		
Personal services	724,617	732,965
Employee fringe benefits	353,475	329,229
Expense and equipment	150,650	162,405
Licensure replacement system expense and equipment	105,300	0
State Central Services cost allocation	10,640	20,647
Total Disbursements	1,344,682	1,245,246
RECEIPTS OVER (UNDER) DISBURSEMENTS	55,325	661,762
TRANSFERS		
To Professional Registration Fees Fund (1)	295,775	304,622
To General Revenue Fund (2)	130,705	173,811
Total Transfers	426,480	478,433
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(371,155)	183,329
CASH AND INVESTMENTS, JULY 1	5,729,505	5,546,176
CASH AND INVESTMENTS, JUNE 30	\$ 5,358,350	5,729,505

- (1) For reimbursement of personal services, employee benefits, and operating expenses paid from the Professional Registration Fees Fund.
- (2) For reimbursement of services provided by the Administrative Hearing Commission and the Attorney General's office paid from the General Revenue Fund.

Appendix B

Division of Professional Registration
Missouri Real Estate Commission
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2014			2013		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
MISSOURI REAL ESTATE COMMISSION FUND						
Personal Services	\$ 920,248	724,617	195,631	913,308	732,965	180,343
Expense and Equipment	276,669	150,650	126,019	279,694	162,405	117,289
For reimbursing the Division of Employment Security benefit account for claims paid to former state employees for unemployment insurance coverage and for related professional services	159	0	159	159	0	159
For a Professional Registration licensure replacement system from Professional Registration board funds	105,300	105,300	0	0	0	0
Total Missouri Real Estate Commission Fund	\$ 1,302,376	980,567	321,809	1,193,161	895,370	297,791

Appendix C

Division of Professional Registration Missouri Real Estate Commission Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2014	2013	2012	2011	2010
Salaries	\$ 724,617	732,965	705,636	709,592	719,573
Travel, in-state	15,383	16,611	22,801	19,055	24,137
Travel, out-of-state	1,611	2,122	6,074	4,089	7,298
Supplies	40,595	71,159	45,753	79,566	48,963
Professional development	5,823	4,433	7,328	4,923	8,035
Communication services and supplies	27,003	25,384	23,173	18,184	21,101
Services:					
Professional	122,519	33,900	34,152	54,297	61,046
Maintenance and repair	3,161	4,381	7,008	9,278	9,502
Equipment:					
Motorized	30,657	0	14,414	0	0
Office	5,388	1,059	822	2,334	921
Miscellaneous expenditures	3,810	3,356	3,275	4,105	5,720
Total Expenditures	\$ 980,567	895,370	870,436	905,423	906,296