

WISCONSIN DEPARTMENT OF REGULATION & LICENSING



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STATE OF WISCONSIN

BEFORE THE REAL ESTATE BOARD

IN THE MATTER OF :

DISCIPLINARY PROCEEDINGS AGAINST :

: FINAL DECISION AND ORDER

CHRISTOPHER W. NORTHWOOD, : LS0302277REB

NORTHWOOD REAL ESTATE, LLP., :

RESPONDENTS :

The parties to this action for the purposes of Wis. Stats. sec. 227.53 are:

Christopher W. Northwood

1316 Okray Drive

Stevens Point, Wisconsin 54481

Northwood Real Estate, LLP

2815 Post Road

Stevens Point, Wisconsin 54481

Real Estate Board

P.O. Box 8935

Madison, WI 53708-8935

Department of Regulation and Licensing

Division of Enforcement

P.O. Box 8935

Madison, WI 53708-8935

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final decision of this matter, subject to the approval of the Board. The Board has reviewed this Stipulation and considers it acceptable.

Accordingly, the Board in this matter adopts the attached Stipulation and makes the following:

FINDINGS OF FACT

1. Christopher W. Northwood (DOB: 07/08/48) is duly licensed in the state of Wisconsin as a real estate broker (license #29901). This license was first granted on December 23, 1975.
2. Christopher W. Northwood's latest address on file with the Department of Regulation and Licensing is 1316 Okray Drive, Stevens Point, WI 54481.
3. Northwood Real Estate, LLP, is a licensed real estate business entity, which was granted a business entity license (#933320) on January 4, 1999.
4. Northwood Real Estate, LLP's latest address on file with the Department of Regulation and Licensing is 2815 Post Road, Stevens Point, WI 54481.
5. At all times relevant to this action, Christopher W. Northwood was the supervising broker and partner of Northwood Real Estate, LLP.

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6. The Department conducted an audit of the real estate trust account (#573261808) of Northwood Real Estate, LLP. The auditor issued a Description of Violations of Statute or Code Sections, dated June 6, 2002. A true and correct copy of the auditor's report is attached and incorporated herein as **State's Exhibit A**.
7. Christopher W. Northwood informed the auditor that he had a bookkeeper handle the financial records for his real estate business and property management business.
8. Northwood indicated that his first bookkeeper quit and he hired another bookkeeper that had difficulty reconciling the previous bookkeeping records. At one point, the new bookkeeper had to transfer handwritten ledgers into a computerized software accounting program.
9. The auditor found that the trust account had not been properly reconciled, that monthly trial balances and validations were not performed from February 1999 through February 2001, and that there were several errors in journal entries, including failure to enter the name of both parties to the transaction.
10. The auditor found that in one transaction, which closed late in the afternoon, the buyer's funds of \$166,314.20 were deposited into the night depository because the bank had closed. The funds were not credited to the account until the next business day, resulting in an insufficient funds notice from the bank. The notice was subsequently rescinded and the funds were properly credited to the account.
11. The auditor found in the same transaction mentioned above, that the date of receipt of the earnest money, as agreed upon in the offer, was not reflected in the broker's trust account records.
12. Northwood did not independently review and verify the accuracy of the work performed by his bookkeepers, but the auditor did not find that any client funds were missing or converted as result of bookkeeping errors.

13. A follow-up examination of the trust account records by the Department on May 6, 2002, verified that Northwood had made various adjustments to ensure that the above noted violations would not occur again.

14. The Department conducted an audit of the Northwood Rental Trust Account, (#6000-2010), a property management business, registered under the broker's license (#29901) of Christopher W. Northwood. The auditor issued a Description of Violations of Statute or Code Sections, dated June 6, 2002. A true and correct copy of the auditor's report is attached and incorporated herein as **State's Exhibit B**.

15. The audit findings indicated that a running balance of the trust account and separate ledgers for each landlord and tenant showing expenses and income for each rental property were not maintained.

16. The audit findings indicated Northwood was not using the current Department approved Exclusive Listing Contract for Lease of Residential Property. Northwood used a prior listing contract form that had been superseded and replaced for mandatory use in 1992 by the Department.

17. The audit findings indicated that property management fees were not disbursed on a regular monthly basis. Northwood indicated that the fees were allowed to accumulate in the trust account and removed periodically, but were not segregated from the client funds.

18. Due to the lack of detail, the auditor could not determine whether any client funds were missing or converted as a result of bookkeeping errors.

19. A follow-up examination of the trust account records by the Department on May 6, 2002, verified that Northwood had made various adjustments in his practice and personnel to ensure that the above noted violations would not occur again.

CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Board has jurisdiction to act in this matter pursuant to sec. 452.14., Stats. and is authorized to enter into the attached Stipulation pursuant to sec. 227. 44(5), Wis. Stats.

2. Respondent Northwood Real Estate LLP, and Respondent Christopher W. Northwood, acting in the capacity of broker for Northwood Real Estate LLP, have violated:

- a. RL 18.13(1) Wis. Admin. Code by failing to maintain accurate journals and running balances for the real estate trust account;
- b. RL 18.13(2) Wis. Admin. Code by failing to maintain trust account records with the names of both parties to a transaction;
- c. RL 18.13(3) Wis. Admin. Code by failing to reconcile the trust account on a monthly basis;

- d. RL 18.13(4) Wis. Admin. Code by failing to prepare a trial balance of all open items in the trust account.
- e. RL 18.13(5) Wis. Admin. Code by failing to perform a validation of the trust account to determine that all of the records are in agreement as of the date of the account statement.

3. Respondent Christopher W. Northwood, acting in the capacity of broker for the Northwood Rental Trust Account, has violated:

- a. RL 18.13(1) Wis. Admin. Code by failing to maintain accurate journal entries.
- b. RL 18.13(2) Wis. Admin. Code by failing to maintain separate ledgers for each landlord and tenant with receipts and disbursements as they affect each particular transaction;
- c. RL 15.04 Wis. Admin. Code by failing to retain copies of rental and lease agreements for at least three years.
- d. RL 16.04(1) and RL 16.06(7) Wis. Admin. Code by failing to use approved form WB-37 Exclusive Listing Contract for Lease of Residential Property;
- e. RL 18.09(3)(b) by failing to disburse property management funds on a regular monthly basis;
- f. RL 24.08 Wis. Admin. Code by failing to accurately put in writing all lease terms and security deposits terms;

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondent Christopher W. Northwood (broker's lic.#29901) and Respondent Northwood Real Estate, LLP., (business entity lic.#933320) are hereby **REPRIMANDED**.

IT IS FURTHER ORDERED that within sixty (60) days from the date of this Order, Respondent Christopher W. Northwood and Respondent Northwood Real Estate, LLP shall pay a forfeiture in the total amount of five hundred dollars [\$500.00].

4. Payment shall be made via check or money order payable to the Wisconsin Department of Regulation and Licensing , Attn: Department Monitor, PO Box 8935, Madison, WI 53708.

5. In the event that Respondents fail to timely comply with the terms and conditions set forth above, their licenses shall be **SUSPENDED**, without further notice or hearing, until such time as compliance is gained with the terms of this Order

6. This Order shall become effective upon the date of its signing.

WISCONSIN REAL ESTATE BOARD

By: Richard Hinsman
A Member of the Board

2-27-03
Date