REAL ESTATE AGENCY
BEFORE THE REAL ESTATE COMMISSIONER

In the Matter of the Real Estate License of

GREGORY A. STEELE

STIPULATED FINAL ORDER

The Real Estate Agency (OREA) and Gregory A. Steele (Steele) do hereby agree and stipulate to the following:

FINDINGS OF FACT

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CONCLUSIONS OF LAW

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1.1 At all times mentioned herein, Steele was licensed as a property manager doing business under the registered business name of Professional Property Management (PPM).

1.2 In June 2015 OREA opened an investigation.

1.3 As of July 17, 2014, the PPM main office address on file at OREA was 7234 SW Scholls Ferry Rd. #1, Beaverton, OR 97008.

1.4 It was later discovered in the investigation, that as of August 6, 2013, the main office address of PPM had changed to 16409 SW Spindler Court, Tigard, OR 97008, and OREA had not been notified of the new office location.

Violation: By failing to notify OREA of a change in address for PPM’s main office location from 7234 SW Scholls Ferry Road #1, Beaverton, OR 97008 to 16409 SW Spindler Court, Tigard, OR 97008, Steele violated ORS 696.200(1)(d)(2) (2013 and 2015 Editions), which requires a property manager to notify the agency prior to changing a main office location. Per ORS 696.200(1)(d)(2), the changing of a business location without notification to the Agency as required is grounds for revocation of a real estate license.
1.5 Steele held rental income and tenant security deposits combined in one bank account, rather than opening and maintaining a separate CTA for tenant security deposits. In May 2015, Steele opened a separate bank account for tenant security deposits.

Violation: By failing to open and maintain a "Clients' Trust Account- Security Deposits", separate from the Clients' Trust Account until May 1, 2015, Steele violated OAR 863-025-0025 (2) (6-15-02, 11-15-02, 8-15-03, 7-15-05, (4-15-06 Editions), OAR 863-025-0025(3) (3-12-07, 4-13-07, 8-15-07, and (8-15-07 Editions), and OAR 863-025-0025(4) (11-14-08, 1-01-09, 6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13 and 5-15-14 Editions), which requires a property manager who receives security deposits on behalf of an owner to open and maintain a security deposits account that is separate from the property manager's clients' trust account.

1.6 As of June 14, 2016, OREA records showed the following bank accounts associated with PPM:

- "Mallard Investments Co.," ending in #0085, account type identified as rents/owner funds, opened in October 11, 1996.
- "Mallard Investments Co.," ending in #9163, account type identified as security deposits, opened in May 1, 2015.
- "Shasta Park Joint Venture," ending in #2366, account type identified as rents/owner funds, opened June 26, 2005.

Violation: By failing to use the required identifying language for clients' trust accounts ending in #2366 named "Shasta Park Joint Venture," account ending in #0085 named, "Mallard Investments Co.," and account ending in #9163 named, "Mallard Investments Co." for tenants security deposits, Steele violated OAR 863-025-0025(1) (3-12-07, 8-15-07, 11-15-07, 11-14-08, 11-14-08, 1-1-09, 6-15-10, 4-15-10, 9-1-11, 9-14-12, 4-1-13, 5-15-14, 6-16-16 Editions) and OAR 863-025-0025(4) (5-15-14 and 6-16-16 Editions). OAR 863-025-0025(1) requires a property manager to open and maintain at least one clients' trust account as defined in OAR 863-025-0010. Per OAR 863-025-0010, a clients' trust account means a bank account labeled as "Clients' Trust Account," on all bank records and checks that is established and maintained by a property manager. OAR 863-025-0025(4) requires a property manager who receives security deposits on behalf of an owner to open and maintain a security deposits account as defined in OAR 863-025-0010. Per OAR 863-025-0010, security deposits accounts must be
labeled as “Clients’ Trust Account- Security Deposits,” on all bank records and checks that is established and maintained by a property manager.

1.7 As of July 14, 2016, OREA records showed the following bank accounts associated with PPM:

- “Mallard Investment Co.” ending in #9163, account type identified as security deposits.
- “PPM,” ending in #0376, account type identified as rents/owner funds (Steele later identified #0376 as his business operating account and removed it from the Agency records as a clients’ trust account).
- “Beaver Investment” ending in #4945, account type identified as rents/owner funds.

1.8 On August 19, 2016, OREA Investigator/Auditor Meghan Lewis (Lewis) informed Steele of the required identifying language for clients’ trust accounts and security deposits accounts.

1.9 Per Steele, “Beaver Investments” ending in #4945 and was opened in January 1, 2016, without the correct identifying language.

Violation: By failing to include the proper identifying language on “Beaver Investments” ending in #4945 Steele violated OAR 863-025-0025(2)(5-16-14 Edition). OAR 863-025-0025(4) requires a property manager who receives security deposits on behalf of an owner to open and maintain a security deposits account as defined in OAR 863-025-0010. Per OAR 863-025-0010, a security deposits account must be labeled as “Clients’ Trust Account-Security Deposits,” on all bank records and checks that is established and maintained by a property manager.

1.10 On June 30, 2015, Lewis requested tenant agreements and tenant ledgers for Shasta Park, a single and multi-family residential community located in Eugene, Oregon, that had been managed by Steele. Steele was unable to produce the tenant agreements or a property management agreement for this property.

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Violation: By being unable to produce a copy of the property management agreement for owner Shasta Park Joint Venture, and tenant agreements for Shasta Park, Steele violated OAR 863-025-0035(1)(a)(e) (5-15-14 Edition), which states the property manager’s records of the management of rental real estate are “complete and adequate,” as required under ORS 696.280, if the records contain at least the following: (a) a legible copy of each executed property management agreement and any executed addenda or amendments to the agreement, and a legible copy of each tenant agreement.

1.11 Lori Richardson (Richardson), an unlicensed individual, was hired by PPM in 2006 as an onsite property manager for Shasta Park. Richardson approved rental applications, negotiated tenant agreements, and accepted rent and tenant security deposits. When Richardson began employment with PPM, she signed a “Resident Manager Employment Agreement,” dated January 11, 2006, and worked under Steele’s supervision. Steele did not have a written, signed delegation of authority in place for Richardson to review, approve and accept tenant rental agreements.

Violation: By failing to sign and date a written delegation of authority for Shasta Park employee, Lori Richardson, Steel violated OAR 863-025-0015(6)(c) (3-12-07, 8-15-07, 11-15-07, 11-14-08, 1-01-09, 6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13 and 5-15-14 Editions).

1.12 Lewis was able to obtain copies of some tenant agreements, for Shasta Park, done by Steele, from the new property manager (who took over managing the property from Steele) Shannon Shaffer (Shaffer), with Bunting Management Group, Inc. (Bunting). Lewis reviewed the tenant agreements provided by Shaffer for Shasta Park. The box is checked indicating that tenant security deposits are “held by owner.” Steele told Lewis that the owners never held the tenant security deposits and the tenant agreements were incorrect.

Violations: Tenant Agreements for Shasta Park, indicated the tenant security deposits were “held by the owner,” which was incorrect, because the owners never held the tenant security deposits. By incorrectly completing the tenant agreements Steele demonstrated incompetence in violation of ORS 696.301(12) (2013 and 2015 Editions).
1.13 Lewis reviewed tenant ledgers for Shasta Park and identified the following details were lacking:

For each receipt of funds:

- The purpose of the funds and identity of the person who tendered the funds
- The check number, cash receipt number or unique series of letters and/or numbers that established an audit trail to the receipt of the funds and
- The date the funds were deposited.

**Violations:** Steele failed to ensure the tenant ledgers for Shasta Park contained the required detail, in violation of OAR 863-025-0050(4)(d)(B)(C)(D) (5-15-14 Edition), which states a tenant's ledger must contain at least the following information: (d) for each deposit of funds: (B) the purpose of the funds and identity of the person who tendered the funds; and (C) the check number, cash receipt number or a unique series of letters and/or numbers that establishes an audit trail to the receipt of funds and (D) the date the funds were deposited.

1.14 Tenant agreements and tenant ledgers for Shasta Park indicated numerous accounting inconsistencies in the collection of rental income and tenant security deposits, where the amount of the tenant security deposit on the tenant agreement did not correspond to the tenant ledger, the tenant security deposit was not shown on the tenant ledger, or the amount of the tenant security deposit or rental income received did not satisfy the amount charged, the latter resulting in multiple tenant rental income and security deposit balances due the owner, Shasta Park Joint Venture. Multiple tenant ledgers show uncollected rent remained in arrears for several consecutive months without corrective action. A sampling of five tenant ledgers for Shasta Park showed a combined outstanding balance due the owner of $5,957.33.

**Violation:** By failing to properly record/account for rent and security deposits, Steele failed to exercise reasonable care and diligence, to account in a timely manner for all funds received from or on behalf of the owner, to act in a fiduciary manner in all matters relating to trust funds, and to be loyal to the owner by not taking action that is adverse or detrimental to the owner’s interest, in violation of ORS 696.890(4)(c)(d)(e)(f) (2015 Edition). Additionally, Steele demonstrated incompetence in violation of ORS 696.301(12) (2015 Edition), which states a licensee's license may be disciplined if they have demonstrated incompetence or untrustworthiness in performing any act for which the licensee is required to hold a license.
1.15 A review of one of Steele’s property management agreements stated the following relating to compensation, “The agent shall be compensated for hourly time and for expenses related to work performed outside the scope of property management, “with prior written consent from a representative of the Owner or Jeff Elder.”

1.16 Jeff Elder (Elder) was identified as a designated agent for the owner or as having authority to provide written consent to Steele for hourly time and expenses related to work outside the scope of property management for in several property management agreements, including those for Trend Place and Rockwood Park.

1.17 Elder was never associated with PPM and was not aware of his authority, nor had he ever authorized Steele’s hourly time or expenses.

1.18 Steele explained when he first started in property management one of the owners wanted Elder to be included in the property management agreement because Elder had professional real estate experience. Steele stated he never requested written or verbal authority for expenses from Elder.

1.19 Steele provided an Addendum which removed Elder from the PMA. The Addendum was signed by Steele and Jeff Elder. It did not include signatures of any of the owners who signed the original property management agreement.

Violation: By failing to have the owners sign the addendum for the property management agreement for Trend Place and Rockwood Park, Steele violated OAR 863-025-0020(4) (5-15-14 Edition), which states, any amendment or addendum to the property management agreement must be in writing and include the identifying code, the date of the amendment, signature of the property manager and the signatures of all owners who signed the initial property management agreement.

1.20 May 2015 reconciliations for clients’ trust accounts ending in #2366, #0085 and #9163 (tenant security deposits account), had the following issues:

- The reconciliations did not balance,
- Supporting documentation was not generated to the date of the bank statement (reconciliation for account ending in #2366), and indicated seriously aged unreconciled entries dating back to 2005, and
- The single reconciliation form lacked an explanation of the difference and was either not signed or dated by Steele.
Violation: By failing to properly reconcile clients' trust accounts ending in #2366, #0085, and #9163 (security deposits account), Steele violated OAR 863-025-0025(20) and (21) (5-15-14 Edition), which requires a property manager to reconcile each clients' trust account and security deposits account within 30 days of the bank statement, and the reconciliation must contain three components, and the three components must be equal and reconciled with each other. Within 30 days from the bank statement, the property manager must complete the reconciliation document and sign and date it. Additionally, by failing to take the necessary corrective action to resolve any adjustments, Steele violated OAR 863-025-0025(22) (5-15-14 Edition), which requires the property manager to take corrective action to resolve all adjustments made in a reconciliation prior to the next reconciliation or document the good faith efforts the property manager has taken to resolve the adjustment.

1.21 July 2015 reconciliation documents for account ending in #9163 had the following issues:

- The three required components did not balance, and
- Supporting documentation contained aged unreconciled entries and did not correlate to the written explanation of the difference.

Violation: By failing to properly reconcile the security deposits account ending in #9163 for July 2015, Steele violated OAR 863-025-0025(21) (5-15-14 Edition) which requires a property manager to reconcile each security deposits account within 30 calendar days of the bank statement, the reconciliation requires three components. Per OAR 863-025-0025(21) the balances of each component must be equal. Any adjustment must be clearly identified and explained on the reconciliation document. Additionally, by failing to take the necessary corrective action to resolve any adjustments, Steele violated OAR 863-025-0025(22) (5-15-14 Edition), which requires a property manager to take corrective action to resolve all adjustments made in a reconciliation prior to the next reconciliation or document the good faith efforts the property manager has taken to resolve the difference.

1.22 August 2015 reconciliation documents for accounts ending in #9163 (security deposits account) and #0085 (clients' trust account) had the following issues:

- Supporting documentation did not appear to correlate to the bank statement, check register, total of owner and security deposit ledger and reconciled balance as indicated on the single three way reconciliation form.
Violation: By failing to properly reconcile the security deposits account ending in #9163 for August 2015, and clients’ trust account ending in #0085 Steele violated OAR 863-025-0025(20) and (21) (5-15-14 Edition), which requires a property manager to reconcile each clients’ trust account and security deposits account within 30 calendar days of the bank statement, the reconciliation requires three components. Per OAR 863-025-0025(20) and (21), the balances of each component must be equal. Any adjustment must be clearly identified and explained on the reconciliation document. Additionally, by failing to take the necessary corrective action to resolve any adjustments, Steele violated OAR 863-025-0025(22) (5-15-14 Edition), which requires a property manager to take corrective action to resolve all adjustments made in a reconciliation prior to the next reconciliation or document the good faith efforts the property manager has taken to resolve the difference.

1.23 On clients’ trust account ending in #4945, named “Beaver Investments,” property owner Arthur Steele Jr., was a signer on the account.

Violation: By allowing property owner, Arthur Steele Jr., to be a signer on a clients’ trust account ending in #4945, Steele violated OAR 863-025-0025(9) (5-15-14 Edition), which states a property manager may not allow an owner to be an authorized signor on a clients’ trust account or security deposit account and may not allow an owner to deposit, hold, or disburse funds in a clients’ trust account or security deposit account.

1.24 OREA records indicate for clients’ trust accounts ending in #4945, #0085, #2366, and #9163, Steele did not notify OREA within 10 days of opening or closing a clients’ trust account.

Violation: By failing to notify OREA within 10 days after the date of opening or closing clients’ trust accounts ending in #0085, #2366, #9163 and #4945 Steele violated ORS 696.241(4) and (6) (2015 Edition), which requires a property manager to notify the Agency within 10 business days after the date a clients’ trust account is opened or closed.

1.25 All of the above demonstrate incompetence in performing acts for which Steele is required to hold a license.

Violations: ORS 696.301(28) (2001-2005 Editions) and ORS 696.301(12) (2007-2015), states a licensee’s license can be disciplined if they have demonstrated incompetence or untrustworthiness in performing any act for which the licensee is required to hold a license.
1.26 After the settlement conference, Steele provided reconciliation documentation demonstrating he was compliant with the requirements of a three-way reconciliation.

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2.1 OREA reserves the right to investigate and pursue additional complaints that may be received in the future regarding this licensee.

STIPULATION & WAIVER

I have read and reviewed the above findings of fact and conclusions of law which have been submitted to me by OREA and further, the order which follows hereafter. I understand that the findings of fact, conclusions of law and this stipulation and waiver embody the full and complete agreement and stipulation between OREA and me. I further understand that if I do not agree with this stipulation I have the right to request a hearing on this matter and to be represented by legal counsel at such a hearing. Hearings are conducted in accordance with the procedures set forth in ORS Chapter 183 and in accordance with the Rules of Practice and Procedure adopted by the Attorney General of the State of Oregon. I freely and voluntarily waive my rights to a hearing, to representation by legal counsel at such a hearing, and to judicial review of this matter.

I hereby agree and stipulate to the above findings of fact and conclusions of law and understand that the order which follows hereafter may be completed and signed by the Real Estate Commissioner or may be rejected by the Real Estate Commissioner. I understand that, in accordance with the provisions of ORS 696.445(3), notice of this order shall be published in the Oregon Real Estate News Journal.

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ORDER

IT IS HEREBY ORDERED that Steele's property manager license be, and hereby is, reprimanded.

IT IS FURTHER ORDERED that Steele complete the 27-hour Property Manager Advanced Practices Course (detailed in OAR 863-022-0022) no later than four (4) months from the effective date of this order. Steele must submit a certificate to OREA showing completion of the 27-hour Property Manager Advanced Practices Course. This certificate must be submitted to OREA no later than 10 days after the education has been completed.

IT IS SO STIPULATED:

GREGORY A. STEELE

Date 4/25/17

IT IS SO ORDERED:

GENE BENTLEY
Real Estate Commissioner

Date 5·1·17

Date of service: 5/1/2017