



The Real Estate Commission: A Self-directed, Semi-independent Agency

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The Real Estate Commission (Commission) had effective accounting and reporting processes to support the accuracy and completeness of its financial data. However, it should strengthen its processes for preparing its annual financial report.

Although it accurately calculated its enforcement performance measure, it should improve its processes for calculating its licensing measure and verifying that license processing times are accurate.

Additionally, the Commission had adequate processes for setting its fees and penalties based on budgetary needs.

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This audit was conducted in accordance with Texas Occupations Code, Section 1105.004.

MEDIUM

FINANCIAL DATA

The Commission had adequate processes to help ensure complete and accurate financial data. Although its annual financial report contained calculation and presentation errors, those errors did not affect its overall financial position calculation.

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MEDIUM

PERFORMANCE DATA

The Commission accurately calculated the enforcement performance measure selected. Its licensing measure fell within the target but was miscalculated. Additionally, it should enhance its process for verifying the accuracy of license processing times.

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LOW

SETTING FEES AND PENALTIES

The Commission had adequate processes for setting its fees and penalties and calculating cash reserves.

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Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Commission agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objectives.

PRIORITY: Issues identified present risks or effects that if not addressed could ***critically affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could ***substantially affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could ***moderately affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks ***or*** effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

Texas Occupations Code, Section 1105.004, requires the State Auditor's Office to conduct an audit of the Real Estate Commission (Commission). We conducted this audit to comply with that requirement.

The Commission regulates education providers and the sale of timeshare interests and administers licenses for real estate brokers, real estate sales agents, inspectors, and easement or right-of-way agents. According to the Commission, it had 237,730 active license holders as of December 2025. In addition, the Commission provides real estate complaint investigation services to consumers.

The 82nd Legislature designated the Commission as a self-directed, semi-independent agency (SDSI) agency in 2011. As an SDSI agency, the Commission does not receive state appropriations and must set its license fees at a level sufficient to cover its costs.



MEDIUM

Chapter 1 Financial Data

The Real Estate Commission (Commission) had effective accounting and reporting processes to support the accuracy and completeness of its financial data. However, it should strengthen its processes for preparing its annual financial report.

The Commission had adequate processes to help ensure complete and accurate financial data.

The Commission's fiscal year 2025 annual financial report balances for revenues and expenditures were supported by the Commission's accounting records. Specifically:

- **License revenues** totaling \$22.4 million were accurate and properly recorded. This amount included administrative penalty revenues, which were properly monitored and correctly classified.
- **Payroll expenditures**¹ totaling \$14.9 million were properly recorded and paid only to active employees.
- **Other operating expenditures** totaling \$1.9 million were accurate, allowable, and properly recorded.

In addition, year-end adjusting entries were accurate and properly supported, and monthly reconciliations were appropriately performed. The Commission also assigned appropriate user access to its accounting system.

¹ Payroll expenditures were reported within two separate line items: (a) Salaries and Wages and (b) Payroll Related Costs.

The Commission should strengthen its processes for preparing its annual financial report.

While the fund balances and net position were accurately calculated and presented in the Commission's annual financial report, the Combined Balance Sheet/Statement of Net Position did not correctly calculate two line-item totals. Specifically:

- Total assets were understated by \$2.4 million because the *construction in progress* line-item adjustment was not included in the total.
- Total liabilities were understated by \$14,160 due to the omission of an *accounts payable* line-item balance from the total.

The Commission also included an additional unlabeled amount below the net position and had other presentation issues that could be misleading to users of the financial statements.

The Commission used a spreadsheet template to prepare its financial statements. However, the Commission's review of the completed template did not identify the calculation and presentation errors.

Accurate financial statements are critical for self-directed, semi-independent agencies to ensure transparency and enable stakeholders to make well informed decisions about the agency's financial stability and operations.

Recommendation

The Commission should strengthen its review process to verify that the financial statement template accurately calculates and appropriately presents totals.

Management's Response

Management agrees with the recommendation and will strengthen its review process by utilizing the Comptroller's AFR [annual financial report] templates that are posted on their website as a starting guide for the preparation of any future annual financial report. We will ensure that if any rows are added that the formulas in the template are carried across all cells to avoid miscalculated totals. The Chief Financial Officer is responsible for implementing this corrective action. The anticipated date of completion is September 1, 2026, as that is when the agency will begin its preparation for the next AFR.

MEDIUM

Chapter 2 Performance Data

The Commission accurately calculated and reported the enforcement performance measure selected.

The Commission accurately calculated the measure *Average Time to Resolve a Complaint* for fiscal year 2025. This measure monitors the Commission's timeliness in resolving complaints involving license holders under its jurisdiction.

The Commission's licensing system (Versa) captured complaint and licensing information, which was then extracted and summarized to calculate performance measure results. In addition, the Commission adequately managed user access to the system to help ensure the reliability of complaint and licensing data.

The Commission should improve its processes for calculating the licensing performance measure selected and verifying the accuracy of license processing times.

The Commission inaccurately reported its licensing performance measure results because it used an incorrect formula and recorded inaccurate license documentation dates.

Incorrect Formula. The Commission miscalculated its licensing performance measure, *Average Time to Issue a License, Certificate, or Registration*, for all 3 months tested for fiscal year 2025. On average, the miscalculation indicated that the Commission was issuing licenses two days faster than in actuality. When calculated accurately, the result was still within the Commission's target of 14 days.

This occurred because the Commission used an incorrect formula—intended to ensure that all processing times were captured in its calculation of the measure—and it did not verify the formula's accuracy.

Incomplete or Inaccurate Records. The Commission did not have an effective process to ensure that the processing times recorded in its licensing system were accurate and supported. For 25 (83 percent) of 30 license records tested, the Commission either did not retain supporting documentation (8 records) or recorded dates inaccurately (17 records) in its licensing system, based on the supporting documentation.

The Versa system could not maintain license documentation; as a result, staff stored documents outside the system and manually recorded receipt dates. The Commission's new licensing system (REALM), implemented in December 2025, stores license documentation within the system. The Commission asserted that this would resolve its documentation issues. However, as of March 2026, the Commission had not developed a process to verify that license documentation receipt dates were recorded accurately to ensure that application processing times are correct.

Recommendations

The Commission should improve the accuracy of the results for the licensing measure *Average Time to Issue a License, Certificate, or Registration* by:

- Correcting the formula to ensure all processing times are included when calculating the measure and implementing a review to ensure accuracy of the formula.
- Creating a process to verify that license documentation receipt dates are recorded accurately in its licensing system.

Management's Response

The Commission agrees with the recommendation and will take steps to improve the accuracy of the Average Time to Issue a License, Certificate, or Registration measure. The calculation methodology will be revised and evaluated to ensure all relevant processing time is included. We will develop a periodic review process to validate the formula's accuracy.

The Commission's new licensing database enhances the tracking of key dates throughout the licensing process, which will improve data

accuracy and consistency. Procedures will be implemented to confirm license documentation receipt dates are recorded correctly.

These actions will improve both the reliability of the underlying data and the accuracy of the reported performance measure. The Director of Licensing and Enforcement will work together to implement this corrective action. The anticipated date of completion is August 31, 2026.

LOW

Chapter 3 Setting Fees and Penalties

The Commission had adequate processes for setting its fees and penalties and calculating cash reserves.

License Fees and Penalties. The Commission appropriately set its license fees and penalties and developed a budget in accordance with Texas Occupations Code, Section 1105.003.

In addition, the Commission's license fees were sufficient to cover its operating costs for fiscal year 2025, and it had no changes to fees during the year. Also, its methodology for setting and adjusting fees and penalties was reasonable.

Reserve Account. The Commission is required to maintain sufficient reserves to ensure operational sustainability, but it does not have to hold those funds in a separate account. In fiscal year 2025, the Commission accurately calculated its reserve amount, monitored excess funds, and effectively managed the account in accordance with its policy.



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Real Estate Commission (Commission) has processes and related controls to ensure the accuracy and completeness of financial and performance data.
- Evaluate the Commission’s processes for setting fees and penalties.

Scope

The scope of this performance audit included a review of financial and performance data, applicable processes, and other supporting documentation for the period from September 1, 2024, through August 31, 2025. The work includes a review of the automated systems that support those processes.

The scope also included a review of significant internal controls related to the Commission’s financial data, including license fee revenue, administrative penalties, payroll expenditures, and other operating expenditures, along with an assessment of the accuracy and completeness of the related data.

The following members of the State Auditor’s staff performed the audit:



- Pamela A. Bradley, CPA, CFE (Project Manager)
- Lindsay Escalante, MPSA, CFE (Assistant Project Manager)
- Matthew Fox
- Alex Franklin, MPP, CFE
- Rebecca Franklin, CICA, CISA, CGAP, CFE
- Marcus Kahler
- Ashley Keyfitz
- Makoa Shibuya
- Meiyi Yan
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Kelley Ngaide, CIA, CFE (Audit Manager)

Methodology

We conducted this performance audit from August 2025 through April 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Commission management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Commission management and staff to gain an understanding of financial data, performance data, and the fee and penalty setting process.
- Identified the relevant criteria:
 - Texas Occupations Code, Chapters 1101, 1102, and 1105.
 - Texas Administrative Code, Title 22, Chapters 533, 535, and 543.
 - The Commission’s Strategic Plan for fiscal years 2025 through 2029.
 - The Office of the Comptroller of Public Accounts’ *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities*.
 - Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments*.
 - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
 - The Commission’s policies and procedures.
- Reconciled amounts in the Commission’s fiscal year 2025 annual financial report to the Commission’s underlying accounting records.

- Tested the Commission’s year-end adjustments to determine whether they were accurate and supported.
- Analyzed all of the Commission’s payroll expenditures to assess the accuracy and completeness of the associated expenses in the annual financial report.
- Reviewed user access to its accounting systems: the Uniform Statewide Accounting System (USAS) and Centralized Accounting and Payroll/Personnel System (CAPPS).
- Recalculated a sample of performance measure results for *Average Time to Resolve a Complaint* and *Average Time to Issue a License, Certificate, or Registration* to determine whether they were accurately calculated.
- Reviewed user access to its licensing system (Versa).
- Evaluated the Commission’s processes for setting license fees and penalty amounts by reviewing fee amounts and the annual budget.
- Reviewed the Commission’s compliance with its cash reserves policy.
- Tested the following samples to determine, as applicable, if they were accurate and properly recorded:
 - Revenue and expenditure reconciliations.
 - License fee revenue transactions.
 - Other operating expenditures.
- Also tested the following samples:
 - Administrative penalties to determine if they were supported, classified in the appropriate fund, and correctly recorded in the Commission’s tracking spreadsheet.
 - License, certificate, and registration application records to determine whether license processing times recorded in the Commission’s licensing system were supported and accurate.

Figure 1 provides additional details about the populations and samples selected for testing.

Figure 1

Commission Populations and Samples Selected

Population	Population Size	Sample Size	Sample Methodology
Monthly revenue reconciliations ^a	12	4	Selected a sample of 4 reconciliations, including 3 randomly selected to obtain population coverage and 1 targeted selection due to its year-end financial statement impact.
Monthly expenditure reconciliations ^a	12	4	Selected a sample of 4 reconciliations, including 3 randomly selected to obtain population coverage and 1 targeted selection due to its year-end financial statement impact.
License fee revenue records ^b	134,114	25	Selected a random sample of 25 license fee records to obtain coverage of the population.
Other operating expenditures ^a	465	28	Selected a sample of 28 expenditures, including 25 randomly selected to obtain population coverage and 3 targeted selections for being rounded values to obtain coverage of possibly estimated expenditures.
Administrative penalty revenue records ^a	129	15	Selected a sample of 15 penalties, including 13 randomly selected to obtain population coverage and 2 targeted selections to obtain coverage of the largest penalty amounts.
<i>Average Time to Resolve a Complaint</i> quarterly performance measure results ^c	4	1	Targeted selection of the 4th quarter's measure results to validate year-end performance.
<i>Average Time to Issue a License, Certificate, or Registration</i> monthly performance measure results ^b	12	3	Selected a random sample of 3 monthly measure results to obtain coverage of the population.
License, certificate, or registration application records ^a	5,354	30	Selected a sample of 30 records across 3 selected months, including 25 randomly selected to obtain population coverage and 5 targeted selections to obtain coverage of applications processed in less than one day.

^a The sample was selected using a combination of random and targeted methods, but the report does not differentiate between them. Therefore, it would not be appropriate to project the test results to the population.

^b The sample was chosen using random selection to obtain coverage of the population. The sample was representative of the population; therefore, test results may be projected to the population, but the accuracy of the projection cannot be measured.

^c The sample was selected using a targeted method. Therefore, it would not be appropriate to project the test results to the population.

Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit.

- **Monthly revenue and expenditure reconciliations.** Auditors analyzed key fields for reasonableness.
- **Revenue and expenditure records from USAS and CAPPs.** Auditors observed or independently pulled data; reviewed report parameters; analyzed key fields for reasonableness; tied accounting data to the Commission’s annual financial report; and tested user access controls for the accounting systems.
 - All revenue and expenditure records (per USAS).
 - Other operating expenditures (per USAS).
 - Payroll expenditures (per CAPPs).
- **Licensing and complaint records from the Commission’s licensing system (Versa).** Auditors observed data extractions; reviewed report parameters; analyzed key fields for reasonableness; tied revenue records to the annual financial report; and tested user access controls to Versa. Specifically, the following data sets were reliable:
 - License fee revenue records.
 - Administrative penalty revenue records.
 - License, certificate, and registration application records (for *Average Time to Issue a License, Certificate, or Registration* performance measure).
 - Complaint records (for *Average Time to Resolve a Complaint* performance measure).

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

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Real Estate Commission

Members of the Real Estate Commission

Ms. Chelsea Buchholtz, Executive Director



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