

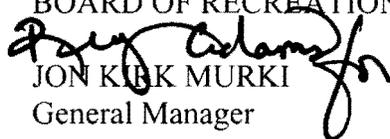
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CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS

September 18, 2013

TO: BOARD OF RECREATION AND PARKS COMMISSIONERS

FROM:


JON KIRK MURKI
General Manager

SUBJECT: DEPARTMENT OF RECREATION AND PARKS – ESCROW
VERIFICATION PROCEDURE

The Department of Recreation and Parks (Department) holds a percentage of payments due to general contractors on most construction contracts. These “retention” monies are withheld by the Department in order to safeguard from liabilities resulting from the general contractors’ performance under the contracts, and are typically released once the Board of Recreation and Park Commissioners accepts the work as complete.

Upon request and in accordance with State law (Public Contract Code, §22300), the Department allows construction contractors to set up escrow accounts to hold retention monies. The Department has the right in certain circumstances to withdraw funds from such accounts to cover additional expenses; however, there exists the possibility that the escrow agent might be dishonest or fraudulent, which would prevent the Department from recovering those funds. Although this has not happened in the past, a new escrow verification procedure has been implemented, to limit the Department’s exposure with escrow agreements.

The procedure would involve the verification of valid licensing. There are several kinds of escrow agents, and the procedure for verifying them differs accordingly. The chief distinction is between independent and controlled escrow agents.

- A. Independent Escrow Agent - An independent escrow company is licensed by the California Department of Business Oversight. These can be verified at the on-line licensee listing of that Department.

- B) Controlled Escrow Agent - A controlled escrow is not licensed by the Department of Business Oversight. It could be owned and operated by, but is not limited to, an attorney, a real estate broker, a title insurance company, among others. The licensing and regulation of controlled escrows depends on the jurisdiction of the licensing and regulatory authority; therefore, the licensing requirements, laws, and regulations that they are subject to vary widely.

The following agencies have the information about the licensing status of an escrow:

- For title insurance/underwritten title companies performing controlled escrows, the California Department of Insurance.
- For real estate broker controlled escrows, the State Bureau of Real Estate.
- For attorney controlled escrows, the State Bar of California.
- For controlled escrows handled by federally-chartered banks or federally-chartered savings and loan associations, the Federal Office of the Comptroller of the Currency.
- For controlled escrows handled by state-chartered savings and loan associations or state-chartered savings banks, the State Division of Financial Institutions.

If an escrow company is not licensed by the Department of Business Oversight and is not regulated by one of the governmental agencies listed above, the company may be engaging in unlicensed escrow activity.

If the proposed escrow agent cannot be verified through any of the aforementioned licensing or regulatory agencies, the Department will notify the contractor of its findings and request them to select a verifiable escrow agent.

This Report was prepared by LaTonya D. Dean, Board Secretary.