

1 **BEFORE THE COMMISSION FOR COMMON-INTEREST**
2 **COMMUNITIES AND CONDOMINIUM HOTELS**

3 **STATE OF NEVADA**

4 SHARATH CHANDRA, Administrator,
5 REAL ESTATE DIVISION, DEPARTMENT
6 OF BUSINESS & INDUSTRY, STATE OF
7 NEVADA,

8 Petitioner,

9 TURNBERRY TOWERS EAST UNIT-
10 OWNERS' ASSOCIATION, TONY RECTOR,
11 JAMES ORR, LAWRENCE (LARRY) KARP;
12 MANU SETHI, and TAMRA TRAINER,

13 Respondents.

Case No. 2023-309

FILED

AUG 08 2024

NEVADA COMMISSION FOR
COMMON INTEREST COMMUNITIES
AND CONDOMINIUM HOTELS

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14 **COMPLAINT FOR DISCIPLINARY**
15 **ACTION AND NOTICE OF HEARING**

16 The Real Estate Division of the Department of Business and Industry, State of
17 Nevada (the "Division"), by and through its counsel, Aaron D. Ford, Attorney General of
18 the State of Nevada, and Phil W. Su, Senior Deputy Attorney General, hereby notifies
19 TURNBERRY TOWERS EAST UNIT-OWNERS' ASSOCIATION ("RESPONDENT
20 ASSOCIATION") and Board Members TONY RECTOR, JAMES ORR, LAWRENCE
21 (LARRY) KARP, MANU SETHI, and TAMRA TRAINER (the "RESPONDENT BOARD
22 MEMBERS") (collectively, the "RESPONDENTS") an administrative hearing before the
23 Commission for Common-Interest Communities and Condominium Hotels, State of
24 Nevada, which is to be held pursuant to Chapters 233B and Chapters 116 of the Nevada
25 Revised Statutes ("NRS") and Chapter 116 of the Nevada Administrative Code ("NAC").
26 The purpose of the hearing is to consider the allegations stated below and to determine if
27 an administrative penalty will be imposed on the RESPONDENT pursuant to the
28 provisions of NRS and NAC including, but not limited to NRS 116.785 and NRS 116.790.

JURISDICTION AND NOTICE

During all relevant times, RESPONDENT ASSOCIATION (Entity Number

1 0069772007-3) is and has been a common-interest community located in Las Vegas,
2 Nevada, and RESPONDENT BOARD MEMBERS are the current board members of
3 record for RESPONDENT ASSOCIATION. Therefore, the RESPONDENTS are subject to
4 the provisions of Chapter 116 of each the Nevada Revised Statutes (“NRS”) and the
5 Nevada Administrative Code (“NAC”) (hereinafter collectively referred to as “NRS 116”)
6 and are subject to the jurisdiction of the Division, and the Commission for Common-
7 Interest Communities pursuant to the provisions of NRS 116.750.

8 **FACTUAL ALLEGATIONS**

9 1. RESPONDENT ASSOCIATION is a common-interest community located in
10 Las Vegas, Nevada (Entity Number 0069772007-3) consisting of 318 units, and a sub-
11 association of Turnberry Towers Community Association. CIC0001-0003; 0070-0071.

12 2. At all times relevant to the Complaint, the Respondent’s management
13 company was PINNACLE COMMUNITY ASSOCIATION MANAGEMENT, represented
14 by Supervising Community Manager Francesca Stevenson CAM. CIC0001-0003;
15 CIC0070-0071.

16 3. As of the date of this Complaint, RESPONDENT BOARD MEMBERS TONY
17 RECTOR,¹ JAMES ORR, LAWRENCE (LARRY) KARP, MANU SETHI, and TAMRA
18 TRAINER currently serve as board members of RESPONDENT ASSOCIATION.²
19 CIC0068-0069.

20 4. The Office of the Ombudsman for Owners in Common-Interest Communities
21 and Condominium Hotels (“Ombudsman”) initiated an audit (“Initial Audit”) of
22 RESPONDENT ASSOCIATION on July 13, 2023, which was completed and submitted on
23 November 23, 2023. CIC0001–CIC0067.

24 5. The Audit was initiated based on a referral from the Division’s compliance
25 section, which identified employee incentives and Board expenses that exceeded the
26

27 ¹ RESPONDENT BOARD MEMBER RECTOR was subject of a recall petition [CIC0148] but
28 voluntarily resigned on or about May 9, 2024. The Division has, as of the date of filing of this
Complaint, not received any 562 or 623 forms updating the Board of Directors roster, and the Secretary
of State still shows RECTOR as a director.

² Board Members Tony Rector and Tamra Trainer also served as board members during the Audit
period.

1 approved and ratified budgets, and which appeared excessive. CIC0004-0005.

2 6. The Audit noted, among other irregularities, that the reporting of the Reserve
3 balances from 2020 and 2021 were identical, which is atypical, and warranted further
4 review. CIC0005.

5 7. The Audit identified numerous non-compliance issues, including with
6 Financial Reporting, Bank Accounts and Commingling of Association Funds; Missing and
7 Omitted Records; CPA Audits submitted to the Board in draft, rather than final, form;
8 repeated failure to timely and accurately reconcile security and lease deposit refunds;
9 repeated failure to meet Due-to liability balances between operating and reserve accounts;
10 unadjusted and inaccurate budget preparation; unsupervised petty cash transactions;
11 excessive board expenses and reimbursements; inaccurate records for employee and
12 community manager bonus incentives; issues with employee payroll and vendor services;
13 sole-signed checks; missing and incomplete meeting minutes and vendor bids; funds held
14 in excess of FDIC-insurance deposit limits; and delinquent assessments by board
15 members. CIC0004-0026.

16 8. The Audit specifically noted that the Board Members at the time of the audit,
17 including RESPONDENTS RECTOR and TRAINER, neglected their duty of care in
18 ensuring adherence to internal controls related to accounting and business practices.
19 CIC0026.

20 9. The Audit further stated that RESPONDENT RECTOR “appear[ed] to act
21 unilaterally for many of the association’s business practices and Board process, such as
22 reimbursements, issuance of bonuses, and investment account practices. CIC0027.

23 10. The Audit further stated that “the lack of care and attention to the Board’s
24 fiduciary and business responsibilities suggest an intentional disregard for NRS 116.3103,
25 the results of which may serve to imperil the association as a going concern,” and
26 warranted further investigation by the Division’s compliance section. CIC0029.

27 11. The Audit specifically stated that, in the auditor’s opinion, RESPONDENT
28 RECTOR’S actions were “willful and neglectful” and recommended that the Commission

1 “seek to reimburse the association for the monies found to be used for personal gain by the
2 Board.” CIC0029.

3 12. On January 11, 2024, Division Investigator Christina Pitch sent an opening
4 investigation letter/request for information to the RESPONDENTS, asserting allegations
5 regarding the commingling of funds from various bank accounts; missing and/or omitted
6 records regarding cash disbursements; untimely and preliminary draft versions of 2020
7 and 2021 CPA audits; lack of controls and documentation of petty cash disbursements; the
8 mis-assignment of Association employees for the personal benefit of RESPONDENT
9 RECTOR, and over fifty (50) sole-signed checks from the 2021 and 2022 sample received
10 by the auditor. CIC0075-0080.

11 13. On or about February 2, 2024, CAM Stevenson emailed the Division a
12 response, indicating that, regarding the allegation of commingled funds, those bank funds
13 were “deposited into Merrill Lynch... against the advice of management.” CIC0082.

14 14. The February 2, 2024, response from CAM Stevenson stated that regarding
15 the allegation of missing and/or omitted records regarding cash disbursements, “some
16 bank records [were] sent to the former Boad President directly” and were sometimes not
17 provided to management despite requests from management, and that “registers, receipts,
18 and documentation for the petty cash box are supposed to be kept by onsite office staff and
19 were not made available to management.” CIC0082-0083.

20 15. The February 2, 2024, response from CAM Stevenson included final versions
21 of the 2020 and 2021 audit reports, each of which was dated February 22, 2023. CIC0082-
22 0120.

23 16. The February 2, 2024, response from CAM Stevenson noted that
24 RESPONDENT ASSOCIATION would draft and adopt policies and resolutions to address
25 internal controls for use of association funds and to define reimbursable expenses; that
26 duties for employees of the tower would be limited to association work and not for personal
27 matters; and did not address allegations that some BOARD ASSOCIATION employees on
28 payroll were performing non-Board related work on behalf of RESPONDENT RECTOR.

1 CIC0082-83; 0132-0146.

2 17. On May 7, 2024, newly-elected Board Treasurer, RESPONDENT KARP,
3 provided an additional response to her January 11, 2024, letter and request for information.

4 CIC0147-0155.

5 18. The May 7, 2024, letter did not deny any of the allegations, but noted that
6 they were each being addressed by the newly elected executive board. CIC0147-0155.

7 19. The May 7, 2024, letter noted that bank accounts have been reactivated and
8 funded appropriately; that petty cash has been completely eliminated and Venmo electronic
9 payments are now utilized to ensure payment is made by homeowners directly to the
10 Association's operating account; and that the board members are verifying the status of
11 prior-year audits to resolve any outstanding issues and to ensure no future delays in
12 issuance; that board members could no longer hire personal assistants with Association
13 funds, and that all checks will now be counter-signed and reviewed by the office manager
14 to ensure that there are two signatures. CIC0147-0155.

15 20. The May 7, 2024, letter further noted that the Board of Directors held an
16 emergency meeting to remove RESPONDENT RECTOR from his position as Vice-
17 President of the RESPONDENT ASSOCIATION, and a petition for RESPONDENT
18 RECTOR'S recall as a board member was received by the community manager and was
19 being processed pursuant to NRS 116. CIC0148.

20 21. Lastly, the May 10, 2024, letter included a copy of a new resolution proposed
21 by the Board to ensure that the issues raised in the audit and investigator Pitch's January
22 11, 2024, letter would not reoccur. CIC0149; 0153-0155.

23 22. The Division's investigation separately identified that a November 15, 2023,
24 a lawsuit was filed by RESPONDENT ASSOCIATION against RESPONDENT RECTOR,
25 individually, seeking injunctive and declaratory relief against RECTOR. CIC0156-0158.

26 23. The parties appear to have settled the lawsuit and stipulated for dismissal of
27 that case in May of 2024. CIC0158.

28 **CORROBORATING WITNESS STATEMENTS**

1 24. On February 7, 2024, Jacqueline Phillips, a unit owner in RESPONDENT
2 ASSOCIATION, sent investigator Pitch an email detailing, among other things, her
3 discussions with former Association employee Sonya Clemons about RESPONDENT
4 RECTOR'S practice of using Association money for his own personal benefit, including
5 bringing cash to Clemons for her to wire to women in the Philippines from her personal
6 accounts. CIC0165-0167.

7 25. On February 20, 2024, RESPONDENT TRAINER emailed investigator Pitch
8 to corroborate Phillips' statements and provided supporting documentation. CIC0159-
9 0242.

10 26. Among the documents provided by RESPONDENT TRAINER was an order
11 granting Petition for Temporary Restraining Order against RESPONDENT RECTOR in
12 the A-23-881671-C matter. CIC0159; 0169-0180.

13 27. On March 19, 2024, RESPONDENT TRAINER provided her own personal
14 response to the allegations in Investigator Pitch's January 11, 2024, initial request for
15 information, outlining details she discovered during her time on the board about
16 RESPONDENT RECTOR'S extensive use of HOA funds to pay for his own personal
17 expenses, and his complete control over petty cash handling and disbursement of funds.
18 CIC0243-0249.

19 28. In the March 19, 2024, letter, RESPONDENT TRAINER also asserted that
20 RESPONDENT ASSOCIATION employee Sandra Watkins served as RESPONDENT
21 RECTOR'S personal assistant and worked out of his personal condo, even as she
22 simultaneously serves as the on-site office manager for both RESPONDENT
23 ASSOCIATION and Turnberry Towers Community Association on behalf of Pinnacle
24 Community Management. CIC0247-0249.

25 29. On March 31, 2024, Crysta Willis, a former employee of RESPONDENT
26 ASSOCIATION, emailed Investigator Pitch regarding how although she had been hired
27 by RESPONDENT ASSOCIATION, her only job was to help complete the personal taxes
28 for RESPONDENT RECTOR. CIC0250-0252.

1 30. Willis stated that while helping RESPONDENT RECTOR with his taxes she
2 saw items that the board reimbursed RESPONDENT RECTOR for, but which he wrote off
3 on his taxes, including cell phone bills for employees at his Colorado ranch, and meals
4 when traveling and visiting his Colorado ranch. CIC0250-0252.

5 31. Willis asserted that RESPONDENT RECTOR paid employees through board
6 funds to perform tasks personal to him, such as accompanying him to doctors
7 appointments or to view his out-of-state properties, and that RESPONDENT RECTOR
8 would have them falsify their timecards and would cut "bonus" checks for them rather
9 than pay overtime. CIC0252.

10 32. Investigator Pitch also obtained an April 18, 2023, letter from former
11 Association employee Marissa Kevilus where she also accuses RESPONDENT RECTOR
12 of embezzling Association funds and of sending money from petty cash to send to women
13 in the Philippines, and that former board members and/or associates of RESPONDENT
14 RECTOR owed money to the association, to which collection efforts were not pursued.
15 CIC0253.

16 33. On May 29, 2024, the Division notified RESPONDENTS via an NRS 233B
17 letter sent via certified mail that it obtained sufficient evidence to pursue disciplinary
18 action in a hearing before the Commission for potential violations of NRS 116. CIC0255-
19 0257.

20 VIOLATIONS OF LAW

21 1. RESPONDENT TONY RECTOR willfully and knowingly violated NRS
22 116.3103 pursuant to NAC 116.405; by actively commingling of funds in various
23 Association bank accounts, against the advice of Association management.

24 2. RESPONDENT BOARD MEMBERS violated NRS 116.3103 pursuant to
25 NAC 116.405(8)(i) by failing to exercise ordinary and reasonable care by establishing
26 policies and procedures to provide reasonable assurances regarding the accuracy of the
27 association's petty cash disbursements and other financial records.

28 3. RESPONDENT TONY RECTOR willfully and knowingly violated NRS

1 116.3103 pursuant to NAC 116.405(8)(i) by acting for reasons of self-interest in using the
2 Association's petty cash disbursements for his own personal use.

3 4. RESPONDENT BOARD MEMBERS violated NRS 116.31144 and NRS
4 116.3103 pursuant to NAC 116.405 and NAC 116.457 by failing to exercise ordinary and
5 reasonable care when they failed to ensure the financial statements of the Association
6 were audited by a CPA for fiscal years 2020 and 2021, and the final audits timely provided
7 to the Division within 210 days of the end of each fiscal year.

8 5. RESPONDENT BOARD MEMBERS violated NRS 116.3103 pursuant to
9 NAC 116.405(3) by committing acts or omissions constituting incompetence, negligence or
10 gross negligence when they allowed for the use of petty cash without established controls
11 or retention of receipts, resulting in non-association related and/or personal expenses
12 primarily by, or on behalf of, RESPONDENT BOARD MEMBER Tony Rector.

13 6. RESPONDENT TONY RECTOR willfully and knowingly violated NRS
14 116.3103 pursuant to NAC 116.405(2) by acting for reasons of self-interest and gain in
15 repeatedly using the Association's funds, including, but not limited to, petty cash
16 disbursements, for his own personal benefit, unrelated to Association business.

17 7. RESPONDENT TONY RECTOR willfully and knowingly violated NRS
18 116.3103 pursuant to NAC 116.405(2) by acting for reasons of self-interest and gain in
19 repeatedly using the Association's resources, including, but not limited to Association
20 employees, for his own personal benefit, unrelated to Association business.

21 8. RESPONDENTS violated NRS 116.3103 pursuant to NRS 116.31153 by
22 failing to exercise ordinary and reasonable care in allowing a single board member to sign
23 off on more than fifty (50) association checks without the required countersignature.

24 **DISCIPLINE AUTHORIZED**

25 Pursuant to the provisions of NRS 116.615; NRS 116.755; NRS 116.785; and NRS
26 116.790 the Commission has discretion to take any or all of the following actions:

27 1. Issue an order directing Respondent to take affirmative action to correct any
28 conditions resulting from the violation.

1 2. Impose an administrative fine of up to \$1,000 for each violation by
2 Respondent.

3 3. Order the Respondent to pay the costs of the proceedings incurred by the
4 Division, including, without limitation, the cost of the investigation and reasonable
5 attorney’s fees.

6 4. Approve application to a court of competent jurisdiction for the appointment
7 of a receiver for the Respondent.

8 The Commission may order one or any combination of the discipline described
9 above.

10 **NOTICE OF HEARING**

11 **PLEASE TAKE NOTICE** that a disciplinary hearing has been set to consider this
12 Administrative Complaint against the above-named RESPONDENT in accordance with
13 Chapters 233B and 116 of the Nevada Revised Statutes and Chapter 116 of the Nevada
14 Administrative Code.

15 **THE HEARING WILL TAKE PLACE** at the Commission meeting(s) scheduled
16 for September 10-12, 2024, beginning at approximately 9:00 a.m. each day, or until such
17 time as the Commission concludes its business. The Commission meeting will be held at
18 the Nevada State Business Center, 3300 W. Sahara Avenue, 4th Floor, Nevada Room, Las
19 Vegas, Nevada 89102 with videoconferencing to Department of Business & Industry,
20 Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706.

21 **STACKED CALENDAR: Your hearing is one of several hearings that may**
22 **be scheduled at the same time as part of a regular meeting of the Commission**
23 **that is expected to take place on September 10-12, 2024. Thus, your hearing may**
24 **be continued until later in the day or from day to day. It is your responsibility**
25 **to be present when your case is called. If you are not present when your hearing**
26 **is called, a default may be entered against you and the Commission may decide**
27 **the case as if all allegations in the complaint were true. If you need to negotiate**
28 **a more specific time for your hearing in advance because of coordination with**

1 an out of state witness or the like, please call Maria Gallo, Commission
2 Coordinator, at (702) 486-4074.

3 **YOUR RIGHTS AT THE HEARING:** Except as mentioned below, the hearing is
4 an open meeting under Nevada's open meeting law and may be attended by the public.
5 After the evidence and arguments, the commission may conduct a closed meeting to
6 discuss your alleged misconduct or professional competence. You are entitled to a copy of
7 the transcript of the open and closed portions of the meeting, although you must pay for
8 the transcription. As a RESPONDENT, you are specifically informed that you have the
9 right to appear and be heard in your defense, either personally or through your counsel of
10 choice. At the hearing, the Division has the burden of proving the allegations in the
11 complaint and will call witnesses and present evidence against you. You have the right to
12 respond and to present relevant evidence and argument on all issues involved. You have
13 the right to call and examine witnesses, introduce exhibits, and cross-examine opposing
14 witnesses on any matter relevant to the issues involved.

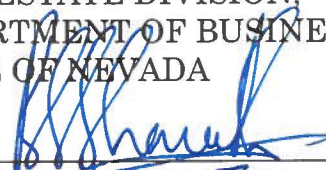
15 You have the right to request that the Commission issue subpoenas to compel
16 witnesses to testify and/or evidence to be offered on your behalf. In making this request,
17 you may be required to demonstrate the relevance of the witness' testimony and/or
18 evidence. Other important rights and obligations, including your obligation to answer the
19 complaint, you have are listed in NRS Chapter 116 and NAC Chapter 116, including
20 without limitation, NRS 116.770 through 116.780, and NAC 116.500 through NAC
21 116.635 and NRS Chapter 233B.

22 Note that under NAC 116.575, not less than five (5) working days before a hearing,
23 RESPONDENT must provide to the Division a copy of all reasonably available documents
24 that are reasonably anticipated to be used to support his position, and a list of witnesses
25 RESPONDENT intend to call at the time of the hearing. Failure to provide any document
26 or to list a witness may result in the document or witness being excluded from
27 RESPONDENT'S defense. The purpose of the hearing is to determine if the
28 RESPONDENT has violated the provisions of NRS 116, and to determine what

1 administrative penalty is to be assessed against RESPONDENT.

2 DATED this 7 day of August, 2024.

3
4 REAL ESTATE DIVISION,
5 DEPARTMENT OF BUSINESS & INDUSTRY,
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