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INVESTING FOR EDUCATION

Introduction to

Unclaimed Property

American Payroll Association

Fargo, North Dakota
April 18, 2012

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We're from the Government and We're here to "Help"

Unclaimed Property Division

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UNIFORM UNCLAIMED PROPERTY ACT

Unclaimed Property Division

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What is Unclaimed Property?

Why Report Unclaimed Property?

Logistics of Reporting

(AKA: Unclaimed Property Reporting 101)

The State's Role

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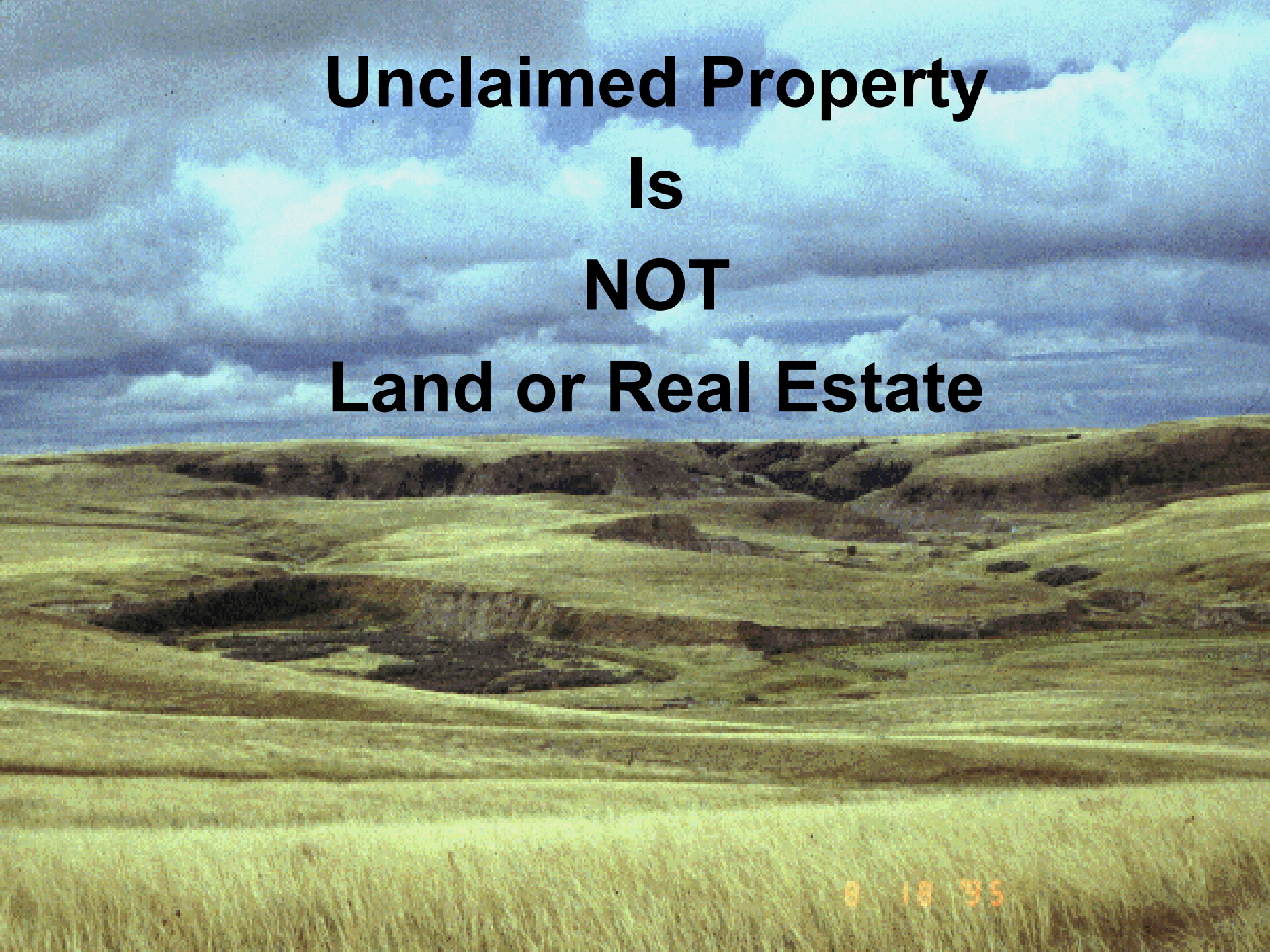
What is Unclaimed Property?


Unclaimed Property
Is
NOT
Land or Real Estate

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Dear Linda;
I have nothing to report. I am not responsible for reporting for other businesses either. Get your information straight. I don't own any land in the State of North Dakota.
Sincerely,

P.S. I never have owned land here in North Dakota. You should probably look for another job.

RECEIVED

STATE OF NORTH DAKOTA

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GENERAL FUND $$

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Unclaimed Property is

NOT

A Function of the Postal Service's Dead Letter Office

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So what IS Unclaimed Property?

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UNCLAIMED PROPERTY

Defined as a **liability** owed to an individual or entity when a debt or obligation remains outstanding after a specific period of time.

What is Abandoned Property?

Financial Institutions

- Savings Accounts
- Checking Accounts
- Cashier's Checks
- Certificates of Deposit
- Escrow Accounts
- Safe Deposit Boxes

Insurance

- Policy or Claim Benefits
- Group Policy Benefits
- Matured Policies
- Endowments or Annuities
- Premium Refunds
- Agent Credit Balances

Securities

- Stock and Dividends
- Mutual Fund Shares
- Matured Bond Principal
- Credit Balances
- Funds for Liquidation
- Principal Payments
- Unexchanged Stock

Court Deposits

- Bail Bond
- Escrow
- Missing Heirs
- Condemnation
- Tax Refunds
- Suspense Accounts

Mineral Proceeds

- Royalties
- Net Revenue Interest
- Production Payments
- Bonuses
- Delay Rentals

Other

- Wages, Payroll, Salary
- Overpayments
- Accounts Payable
- Credit Balances
- Vendor Checks
- Traveler's Checks
- Money Orders

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Most Common Types:

- Uncashed checks such as payroll, insurance payments, travelers checks, money orders
- Bank account balances
- Accounts receivable credit balances or overpayments
- Stocks, bonds and dividend checks
- Unredeemed retail rebates (Verizon, HP, etc.)

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Why Report Unclaimed Property?

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- ✓ The property belongs to someone else
- ✓ Gives owners and heirs one place to look
- ✓ UPD assumes responsibility for the “liability”
- ✓ To allow public schools to benefit from what is never claimed
- ✓ And last but not least …….

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IT'S THE LAW

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Not only is compliance required by North Dakota State Law, but it also essentially required by a somewhat recent piece of federal legislation better known as……..

Sarbanes - Oxley

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Sarbanes-Oxley (SOX 404):

- Financial Statements must be in accordance with GAAP, which requires that owed and contingent liabilities must be recorded in financial statements.
- Code of Ethics requires compliance with federal and state laws.

It is important to assess the impact of unclaimed property on financial statements to reduce or eliminate the possibility of significant misstatements.

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UNCLAIMED PROPERTY

Defined as a **liability** owed to an individual or entity when a debt or obligation remains outstanding after a specific period of time.

If a business voids or writes off a stale-dated check or any other payable, they <u>understate</u> their liabilities.

(Incidentally, this can also be viewed as "theft" via private escheat)

Why??

Because the value of a payable represents the debtor's continuing obligation to the payee.

In other words, just because the payee fails to "collect", it doesn't mean they aren't still "owed" the money.

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Business Acquisitions

- Remind companies of the potential unclaimed property exposure inherent in any business acquisition.

- Emphasize the importance of due diligence efforts before a company completes any significant merger or acquisition.

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Noncompliance can be costly

How the cumulative effect could be material to a company's financial reporting.

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North Dakota Century Code
Grants
Unclaimed Property
Audit Authority

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EXAMPLE:

An annual unclaimed property liability of $20,000 for a company that has not reported its unclaimed property for 8 years could result in **additional assessments of $85,500**.

Reportable Unclaimed Property	= $160,000
Interest (12% accrued on reportable)	= $ 45,500
Penalties (25% of reportable)	= $ 40,000
SUB TOTAL*	**= $245,500**

***potential costs beyond the subtotal:**

civil penalties of $100/day

audit costs of $100/day per auditor

Plus: Unclaimed property liability for prior years <u>can be estimated</u> based on current actual findings.

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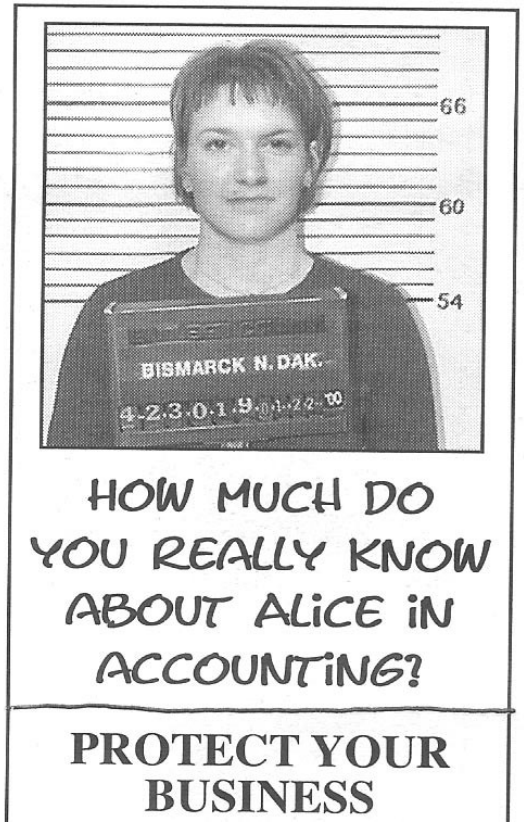
HIGH RISK FOR FRAUD

Unclaimed property is considered
to be “forgotten” money
and therefore
can be seen as “safe”
to steal.



Ad courtesy of W.T. Butcher and Associates, Bismarck, ND

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INTERNAL CONTROLS

can minimize the risk of fraud by ensuring procedures are in place to monitor personnel with access to sensitive data and to remove their ability to change and manipulate that data.

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Recommended Internal Control Procedures

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- Establish a separate unclaimed property liability account.
- Provide management control (review and approval) over all transactions in and out of the unclaimed property liability account.
- Independently reconcile the account on a regular basis and test the validity of refunds from the account if necessary.

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- Have two employees approve refunds or other transactions from unclaimed property accounts.
- Separate the duties of tracking and reporting unclaimed property from issuing refunds.
- Follow up on outstanding checks and credits after 6 months.

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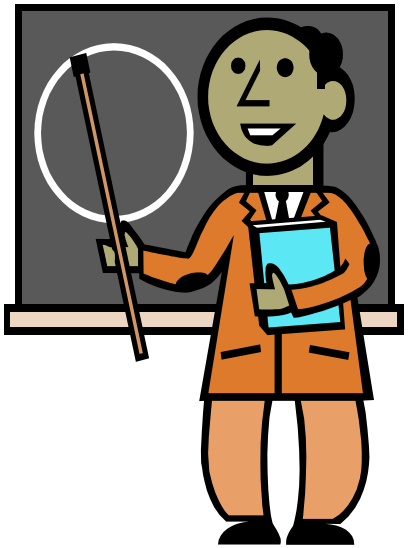

Unclaimed Property REPORTING 101

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First, Determine If There Is Property To Report

July 2012

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Start your records review each year on July 1.

Report year cutoff is June 30.

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- For instance, do you have:
  - Uncashed Checks that are now two years old ??
  - Credit Balances that turned three ??
  - Utility or apartment deposits that have been owed to people for more than a year ??

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Have nothing to Report?

- Then you would file what is called a "negative report" by going to our website (www.land.nd.gov).

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Why file when the answer is “we have nothing to file”?

GOOD QUESTION!

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The answer is that it tells the State you remembered to check your records that year.

A year of no filing indicates possible negligence and could raise an audit “flag” fairly quickly.

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What If We DO Find We Have Property to Report?

First, Contact the Owners Yourselves (Due Diligence)

- The law says that when dealing with a property of $50 or more, the holder “shall send written notice to the apparent owner at the owner’s last known address” to let them know that the property is about to be sent to the Unclaimed Property Division, and to instruct the owner on recovering the property from the holder (including a deadline for recovery).
- This must be done “not more than 120 days before filing” a report with the Unclaimed Property Division, **UNLESS** you know you have a bad address.

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CONDUCT "DUE DILIGENCE" PROCESS BETWEEN CUT-OFF DATE AND REPORT DUE DATE

July 2012

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

October 2012

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3

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I'm begging you – if you only remember one thing about this presentation, please remember this……

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Remitting property is to be a last resort.

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We Have Done Our "Due Diligence" and Received No Response

Now What?

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Figure out where you need to file (property gets filed to the state of the **owners** last known address – regardless of where your business is located)

Check the dormancy period for the states receiving property (unfortunately dormancy periods vary between states).

Reciprocity filing MAY be an option but must be done following the rules of the respective states.

Start the Reporting Process

You can download free reporting software that will prepare reports for submitting on disk or CD to our office (www.byetm.com).

If you have a really small report, you can download forms and instructions from our website (www.land.nd.gov). This option is a very manual process.

Many states require e-filing of reports that list more than 20 properties since it cuts down on data entry and input error rates. In North Dakota, it's not required – only appreciated. ☺

Unclaimed Property Itemization

Required for individual properties with a value of $50 or more.

Includes names, last-known addresses, social security numbers, birthdates, or any other info the could help to positively identify the owner in the claim process.

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Itemization and due diligence are not required on individual properties with a value of less than $50. Again – appreciated but not required.

However, all amounts are reportable

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What Happens After Businesses Report?

(The State's Role)

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The Unclaimed Property Division begins its own "due diligence" program.

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NOTICE OF NAMES OF PERSONS APPEARING TO BE OWNERS OF ABANDONED PROPERTY

Notice is hereby given that the following persons, their heirs, executors, administrators, successors or assigns, may be entitled to property (not real estate) which has been presumed abandoned under the Unclaimed Property Act (NDCC Chapter 47-30.1). The Act requires all businesses to file annual reports of unclaimed property. These names are from the most current annual reports. Previously reported properties which have not been claimed can be viewed at www.land.state.nd.us.

Hayden Estate Pearl Hcr 1 Box 19 Amidon
Holman Olivia M Marmarth
Lorge L Kenneth RR 2 Box 7 Amidon
Lorge Leslie K RR 2 Box 7 Amidon
Patel Hasvmati B 423 Central Ave Amidon
Patel Pravin P 423 Central Ave Amidon
Rotering Arnold 6201 135th Ave SW Amidon

For information concerning this property, or for ADA auxiliary aids, contact the Unclaimed Property Administrator via e-mail on the Internet at www.land.state.nd.us, or at 1707 N 9th St, PO Box 5523, Bismarck ND 58506-5523. (701-328-2800).

Local and Regional Exposure

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National Exposure

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Worldwide Exposure via Internet

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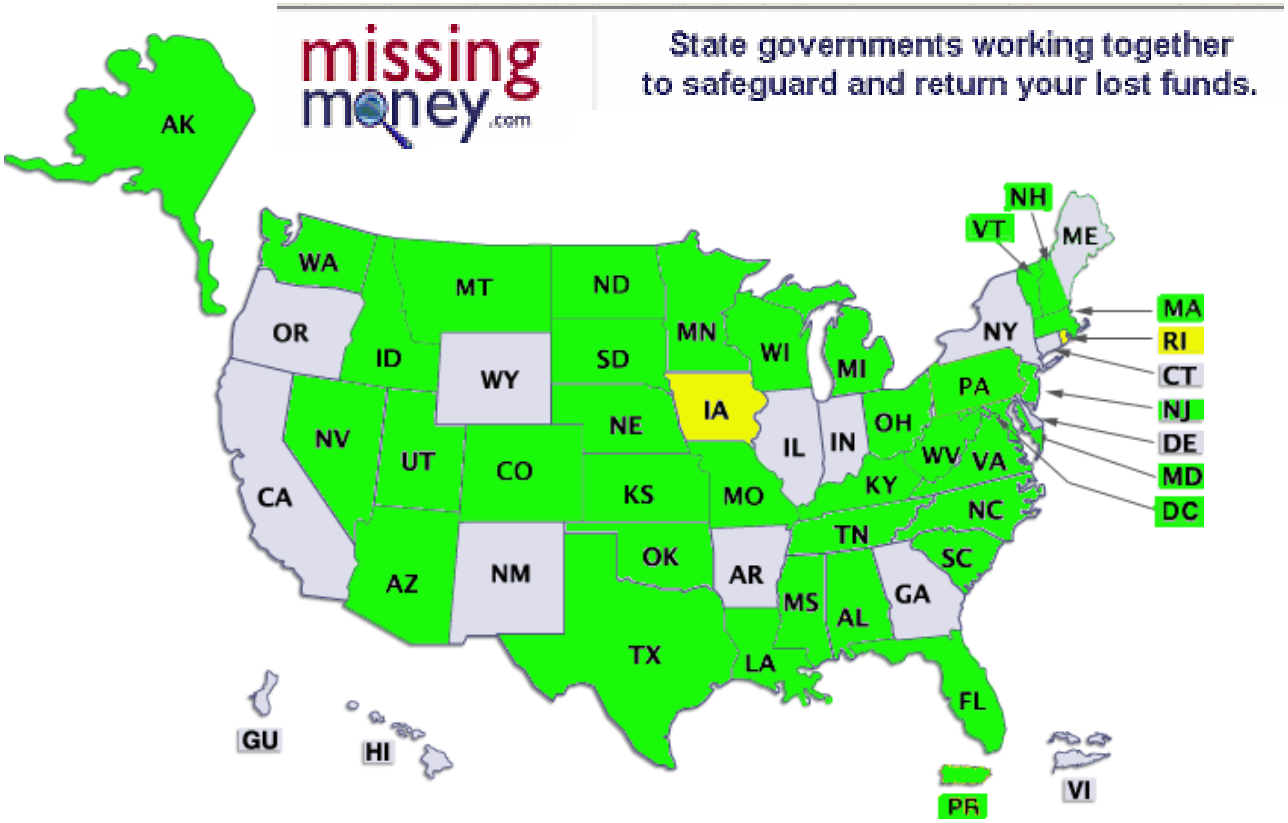
Displays names and addresses in a national database with 40 other states



MissingMoney.com Search Results

Click on a matching name below to check if you are eligible to claim.

First Prev (26 - 50 of 200+ items) Next Last

Name	Held In	Last Known Address	Reported By	Amount
Only the first 200 rows that match your selection criteria are displayed, additional less likely matches follow, You may want to refine your selection criteria by typing your complete first name, just selecting the states and provinces where you think you may have missing money, by checking the 'Exact' match checkbox at the top of this page or by using the Advanced Search.				
FISHER, ALBERT	MA	Not Disclosed SHAWSHEEN, MA, 10010	METROPOLITAN LIFE INSURANCE CO	Under ↓ $100
FISHER, ALBERT E	MI	Not Disclosed ALANTIC CITY, NJ	BLUE CROSS BLUE SHIELD OF MICH	Unknown
FISHER, ALBERT	MI	Not Disclosed DETROIT, MI	MICHIGAN STATE DISBURSEMENT UN	Unknown
FISHER, ALBERT H	MI	Not Disclosed SAGINAW, MI	ALLIANCEBERNSTEIN AMER GOVT IN	Unknown
FISHER, ALBERT H	MI	Not Disclosed SAGINAW, MI	MONEY GROUP CASH EXCHANGE PROC	Unknown
FISHER, ALBERT	MN	2137 4ST MINNEAPOLIS, MN, 55110	PRUDENTIAL FINANCIAL DEMUTUALI	Over ↑ $100
FISHER, ALBERT	MO	9616 N CAMPBELL DR KANSAS CITY, MO, 64155	Not Disclosed	Under $50
FISHER, ALBERT	MO	1517 WASHINGTON ST LOUIS, MO, 63103	Not Disclosed	Over $50
FISHER, ALBERT T	ND	835 1ST ST WEST DICKINSON, ND, 58601	Not Disclosed	Not Disclosed
FISHER, ALBERT	NH	Not Disclosed EAST HAMPSTEAD, NH	Not Disclosed	Unknown

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Displays names and addresses of owners on ND web site

(www.land.nd.gov)

Search By City or Search by Name

Search

Last / Business Name

City

Zip Code

Search

Thank you for using the Unclaimed Property on-line search.
Please enter a last name, city, or zip code to search for unclaimed property.
You can also enter all three of the fields for a more accurate and quicker search.

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Sample Results - Search By CITY

Last Name	First Name	Middle	Title	Last Known Address	City	Zip Code
ANDERSON	P	NELS		5571 60TH AVE SE	GACKLE	58442
BABBIT	HAROLD			177751 LODGE POLE LN PO BOX 21	GACKLE	58442
BUCKSHOTS CAMP				105 MAIN ST	GACKLE	
CURTICE	PAM			224 BIRCH ST W	GACKLE	58442-7202
DUNBAR	LINDA			PO BOX 145	GACKLE	58442-0145
EBERLE	THOMAS			6161 54TH AVE SE	GACKLE	58442
GACKLE TASTEE FREEZE				PO BOX 351	GACKLE	58442-0351

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Same Results – Search By NAME

Last Name	First Name	Middle	Title	Last Known Address	City	Zip Code
FISHER	ALBERT	T		835 1ST ST WEST	DICKINSON	58601
FISHER	ALICE			FBO KIMBERLY BURESH	DEVILS LAKE	58301
FISHER	ALLAN	W		3235 48TH ST SE	MINOT	587017862
FISHER	ALTON	T		1020 1 AVE NE	BEULAH	58523-6301
FISHER	AMANDA	M		720 18TH AVE E	GRAND FORKS	58201
FISHER	ANNA	B		6130 141ST AVE SE	SHELDON	58068-9788
FISHER	ANNA			835 1ST ST WEST	DICKINSON	58601

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Claim Requirements (Documentation)

Requirements vary depending on:

1. Whether owner is living or deceased
2. What information the business reported to us that can be unmistakably verified
3. Property type
4. Claim value

Claim Requirements (Documentation)

At the very least, ALL claims require:

- Notarized signature of the claimant
- Copy of Driver's License or other form of ID
- Social Security Number verification

Other possible requirements:

- Address match
- Verification of doing business with the company that reported the property
- Original documents (money orders, bearer bonds, etc.)
- Death Certificates
- Will / Personal Representative Papers

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What? Why So MUCH?

Scanned from Bismarck-Mandan Phone Directory

L

Lindy L 1706 Masterson Av	BSMRCK	58501	224-0711
Rob & Carla 1038 Westwood St	BSMRCK	58504	223-9993
LEINGANG 706 Sweetbriar Rd	MANDAN	58554	667-6087
Al & Robben			667-0925
Andrew & Terry 220 149 Av NW	BSMRCK	58503	224-0990
Ann B 204 15 St NW	MANDAN	58554	663-8916
Arnold 1504 9 Av NW	MANDAN	58554	663-5685
Arnold & Lori 2208 9 Av SE	MANDAN	58554	663-3420
Bill & Betty 2105 66 St SE	BSMRCK	58504	223-1064
Billie J 1702 3 St NE	MANDAN	58554	663-3766
Billiell & Curt 4205 38 Av NW	MANDAN	58554	667-5950
Bob J & Mary Ann 2021 Old Red Trl NW	MANDAN	58554	663-0143
C 2811 Marina Rd SE	MANDAN	58554	663-8551
Chet & Debra 801 15 St NW	MANDAN	58554	663-0696
Clint & Dianne 3309 Devon Pl	BSMRCK	58504	223-3222
Curtis 505 12 Av NW	MANDAN	58554	663-8649
Dave			663-3247
David & Susan			667-8709
Dean L 1708 2 St NE	MANDAN	58554	663-4226
Dennis J 304 Lunar Ln	BSMRCK	58503	255-6020
Diane 505 1 Av NW	MANDAN	58554	663-2386
Duane 4404 Cortez Cir	MANDAN	58554	663-1946
Duane&Jane 604 Division St NW	MANDAN	58554	663-4899
Edwin G 310 11 Av NE	MANDAN	58554	663-8432
Elizabeth 200 3 Av SW	MANDAN	58554	667-1910
Elizabeth B 404 10 Av NW	MANDAN	58554	663-8004
Frank & Adele 2301 10 Av SE	MANDAN	58554	663-0788
Frank & Debbi 810 4 Av NW	MANDAN	58554	663-2802
Frank J 1703 3 Av NW	MANDAN	58554	667-7033
George A & Jean 2900 N 4 St	BSMRCK	58503	255-1499
George & Agnes 202 15 St NW	MANDAN	58554	663-3771
Gerard 1700 9 Av NW	MANDAN	58554	663-4961
Geri 119 Maryland St	BSMRCK	58504	223-1934
Gina 104 1 St NE	MANDAN	58554	663-2529
Gordon D0 900 E Broadway Av	BSMRCK	58501	530-7002
Greg 701 Custer Dr	MANDAN	58554	663-1834
H 2120 N Washington St	BSMRCK	58501	323-5151
Harold 1108 8 Av NE	MANDAN	58554	663-0138
Harvey A 1010 1 St SE	MANDAN	58554	663-1120
Hyacinth & Theresa 402 17 St NW	MANDAN	58554	667-2107
James R & Donna 504 10 Av NW	MANDAN	58554	663-4612
Janel 2200 Pirates Lp SE	MANDAN	58554	667-1807
Jeff-Doreen 2091 Weinberger Dr S	MANDAN	58554	667-1006
Jeff & Norma 16702 93 St NE	BALDWIN	58521	224-1689
Jody & Laurie 303 3 Av NE	MANDAN	58554	663-4908
Joe 1507 2 Av NW	MANDAN	58554	667-8888
Joseph T 1014 6 Av NW	MANDAN	58554	663-5782
Julia 1505 2 Av NW	MANDAN	58554	663-3698
Keith & Julie 2995 Warwick Loop	BSMRCK	58504	258-1266
Kenneth J 1405 8 Av SE	MANDAN	58554	663-5540
Kevin 912 16 St SE	MANDAN	58554	663-0575
Larry J 1306 2 St SW	MANDAN	58554	663-6197
Leo 1825 S Grandview Ln	BSMRCK	58503	224-1159
Leo P 4325 Hwy 1806	MANDAN	58554	663-4260
Leonard 1002 Tower Pl NE	MANDAN	58554	663-6980
Leonard J 602 8 Av SW	MANDAN	58554	663-5665
Leonard J & Katherine HCR 4 Box 245	MANDAN	58554	663-8397
Leonard Jr & Michelle 581 Sunset Pl	BSMRCK	58504	224-8289
Leonard & Julie 131 3 Av SE	MANDAN	58554	663-6269
Luke 4207 Cortez Cir	MANDAN	58554	663-7694
M 100 1 St NW	MANDAN	58554	663-8863
M 137 New Jersey St	BSMRCK	58504	258-7191

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What Happens With the Money That is Never Claimed?

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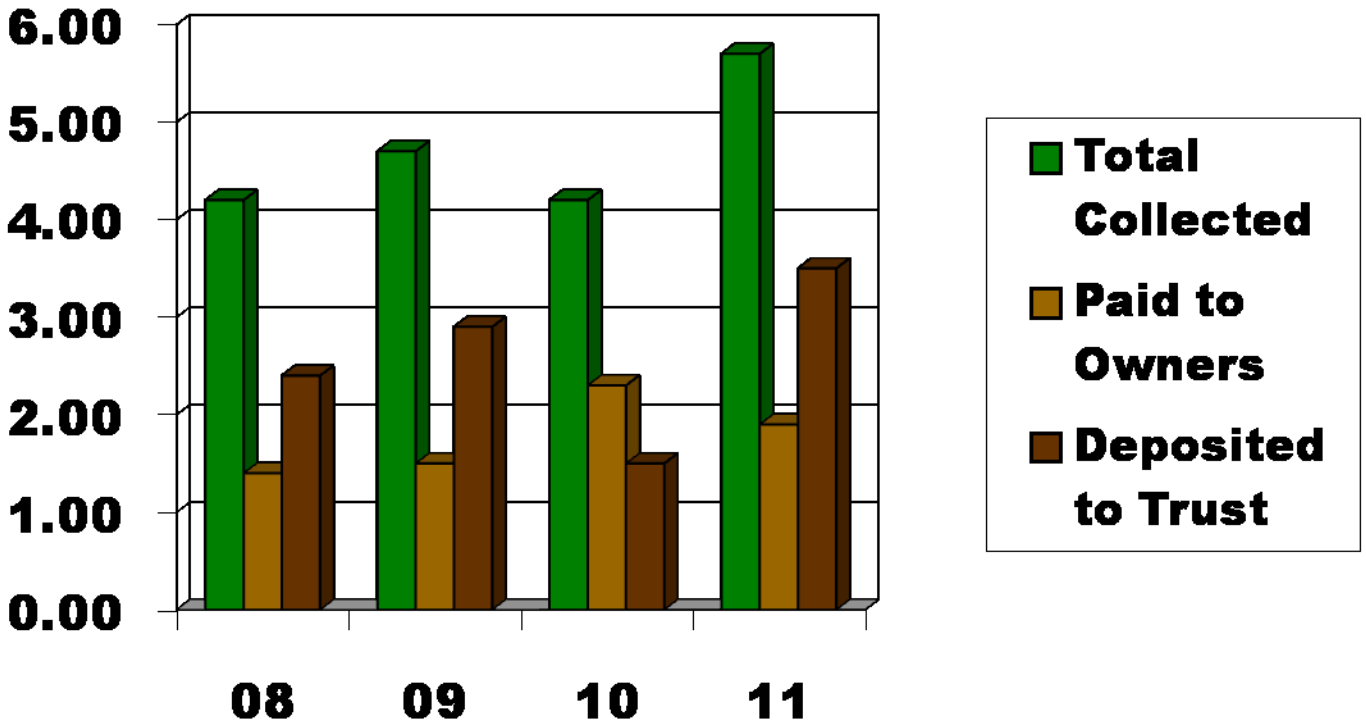
Unclaimed Property Dollars (By Fiscal Year - In Millions)



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The money remains invested in the Common Schools Trust where it earns interest that is distributed each year to North Dakota public schools, Grades K - 12.

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Unpaid Property Totals as of April 2012
(accumulated since 1975)

$35 million

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Unclaimed Property Division
North Dakota Dept of Trust Lands
PO Box 5523
Bismarck, ND 58506-5523

Bev Jacobson (bjjacobson@nd.gov)
701-328-1914

Linda Fisher (llfisher@nd.gov)
701-328-2806