

# Audit Highlights



Highlights of performance audit report on the Unclaimed Property Program issued on September 3, 2020.

Legislative Auditor report # LA20-16.

## Background

The Unclaimed Property Program (Program) is responsible for collecting unclaimed property, locating property owners, and auditing businesses to ensure they have reported unclaimed property in their possession. The primary mission of the Program is to return abandoned property to the original owners or their heirs. According to the Treasurer's annual report, the State held about \$853 million in unclaimed property at the end of fiscal year 2019.

Unclaimed property can include anything of value owed to an individual or a business. Property is considered unclaimed when there has been no activity or contact with the owner for a specific period. Any entity or person in possession of property that belongs to a Nevada resident is considered a holder of unclaimed property. After unsuccessful attempts to contact the owner, the property must be turned over to the State.

The Program maintains a searchable database of unclaimed property available to the public on the Treasurer's website. The reported owner, an estate, a lawful heir, or a duly authorized representative may file a claim for unclaimed property.

All unclaimed property received by the Program is recorded in the Abandoned Property Trust Account. Money is used to pay claims and fund the Program. Remaining balances in the Account are distributed to the Millennium Scholarship Trust Fund, Educational Trust Fund, and General Fund.

## Purpose of Audit

The purpose of the audit was to evaluate the Program's processes for collecting, administering, and returning unclaimed property. Our audit focused on Program activities for fiscal year 2019, and included some information from fiscal year 2018.

## Audit Recommendations

This audit report contains ten recommendations to strengthen the processes for collecting, administering, and returning unclaimed property. The State Treasurer accepted the ten recommendations.

## Recommendation Status

The Program's 60-day plan for corrective action is due on December 3, 2020. In addition, the 6-month report on the status of audit recommendations is due on June 3, 2021.

# Unclaimed Property Program

## Office of the State Treasurer

### Summary

The Unclaimed Property Program can strengthen certain processes over entities reporting abandoned property and claims to recover assets. Internal controls over the reporting process do not ensure unclaimed property reports and payments are processed timely. The Program's lack of enforcing policy for submitting unclaimed property payments via its online reporting system contributed to unprocessed reports and payments. Further, the Program lacked sufficient oversight of its automated claims system to ensure system reports were monitored for fraud and that the system was functioning properly. Stronger controls can help the Program ensure unclaimed property is promptly processed.

The Program can improve controls over the unclaimed property system and inventory. Specifically, controls are needed to ensure edits to critical data documenting ownership of unclaimed property are appropriate. Additionally, the Program should segregate duties over system and user access. Finally, inventory controls are needed for processing and recording safe deposit box contents in the unclaimed property system. Strong controls will help protect system data from unauthorized use and modifications and ensure safe deposit box contents are safeguarded.

### Key Findings

We identified a backlog of 397 unclaimed property reports received between fiscal years 2016 and 2019. We tested 37 of the 397 unprocessed unclaimed property reports and found for 16 or 43% of the reports, Program staff did not perform timely research to identify why the report was not processed, and 7 or 19% of the reports reappeared in the system after being processed and removed by staff. Timely processing of unclaimed property reports is important to ensure collection of payments from the holders. (page 6)

The Program needs to revise internal controls to segregate duties and maintain appropriate documentation for the deletion of holder reports from the unclaimed property system. Eight of ten reports revealed the same person deleted the report and approved the transaction. Additionally, most lacked sufficient documentation to substantiate the reason for deleting the report. (page 7)

The Program did not ensure payments were received and posted timely in the unclaimed property system. The Program did not post 358 payments totaling \$374,000 in property, dividends, and sales of unclaimed securities collected between fiscal years 2016 and 2019. The time frame payments were unposted ranged between 128 days to about 4 years. When unclaimed property payments are not posted, the property is not assigned to its rightful owner in the state's unclaimed property system. (page 8)

The Program's manual review of fast track claims was insufficient. Policies were not detailed or sufficient to ensure automatic processes were functioning as intended. The Program strengthened its process in April 2019 after our inquires. The revised review process identified one instance when the system inappropriately released a claim to the wrong person and two instances where criteria used by the fast track system was inappropriate. (page 11)

The Program was not reviewing fast track claims reports developed in response to our prior audit. The Program developed two reports to monitor fast track claims in response to the fraud identified. However, the Program did not sustain implementation of the recommendation and could not provide evidence the reports were being generated or reviewed. (page 11)

Property data edits in the unclaimed property system were not reviewed as recommended in our 2010 and 2015 audits. The purpose of reviewing edits is to verify inappropriate changes are not being made to data in the system. (page 13)

The Program did not adequately monitor access to its unclaimed property system. Routine reviews of system access were not performed and a current list of authorized users was not maintained. (page 14)

The Program did not maintain accurate and complete inventory records for the contents of unclaimed safe deposit boxes. We tested 35 safe deposit boxes and were unable to locate 14 items from 4 of the 35 boxes tested. Additionally, our observation of the Program's vault identified 6 of 20 savings bonds not recorded in inventory. (page 15)

Cash submitted with the contents of safe deposit boxes was not deposited in accordance with statute. In fiscal year 2019, a total of \$84,000 in cash was recovered from unclaimed safe deposit boxes. We found the cash deposits associated with these safe deposit boxes were made between 28 to 132 days late. Additionally, it took the Program between 27 and 163 days to record tangible items contained in safe deposit boxes. (page 16)