

ARKANSAS AUDITOR OF STATE
DENNIS MILLIGAN



2024 | **UNCLAIMED**
Property
Holder Seminar

SEPTEMBER 2024

Arkansas' Voluntary Filing Options
& Holder Outreach

Compliance Questions

- How can a company become compliant with the law?
- How can I report property late without penalty?



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Voluntary Reporting Options

1. Voluntary Compliance Agreement
2. Voluntary Disclosure Agreement
3. Voluntary Review



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Is your organization eligible?

The Holder represents that it is eligible for participation in the Arkansas Unclaimed Property Division of the Office of Auditor of State program because:

- The Division or a third party acting on behalf of the Division has not contacted the Holder to determine compliance with Arkansas Unclaimed Property Law or has otherwise been approved by the Division.
- The Division or a third party acting on behalf of the Division has contacted the Holder to determine compliance with Arkansas Unclaimed Property Law, but the Holder has received written approval from the Division to comply voluntarily.



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Voluntary Compliance Agreement

- Holder guided
- Support and education provided by the Division
- Review books and records for the last ten report years
- Submit a report including all past-due property
- Include apparent owners' names and last known addresses, amounts, dates, social security numbers, taxpayer identification numbers
- Report and remit within six months
- No penalties imposed
- Continue to report on a prospective basis and retain records



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Voluntary Disclosure Agreement

- Vendor guided
- Support and education provided by the Division and/or vendor
- Reply to vendor requests within a timely manner
- Review books and records for last ten report years
- Submit a report including all past due property
- Include apparent owners' names and last known addresses, amounts, dates, social security numbers, taxpayer identification numbers
- Report and remit in a timely manner
- No penalties imposed
- Continue to report on a prospective basis and retain records



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Voluntary Review

- Division guided
- Provide reporting history and relevant information to the Division
- Support, education, and guidance provided by the Division in response
- Review books and records for the last ten report years
- Submit a report including all past-due property
- Include apparent owners' names and last known addresses, amounts, dates, social security numbers, taxpayer identification numbers
- Report and remit in a timely manner
- No penalties imposed
- Continue to report on a prospective basis and retain records



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Key Differences Between Voluntary Reporting Options

Voluntary Compliance Agreement

- Guided by holder
- Complete within six months
- Sign agreement

Voluntary Disclosure Agreement

- Guided by vendor
- Complete in timely manner
- Respond to requests from vendor
- Sign agreement

Voluntary Review

- Guided by State
- Complete in timely manner
- Provide reporting data to State



How does my organization apply for voluntary reporting?

- Email holders@auditor.ar.gov.
- Let the Division know that you're interested in performing a voluntary review.
- The Division will provide feedback and guidance to help your organization initiate the voluntary compliance process.



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Holder Outreach

- State-initiated outreach by email or physical mail
- Directed to holders with potential reporting deficiencies
 - Never filed annual unclaimed property reports
 - Inconsistently filed annual unclaimed property reports
 - Filed report, but not for all categories typical of your industry
- Vendor guided
- Holder required to:
 - Acknowledge receipt
 - Review and understand educational materials
 - Perform a self-review
 - Report and remit past-due property
 - Adhere to a timeline (extensions permitted with cause)



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Key Steps to Complete a Review

- 1 IDENTIFY the legal entities to be included in your self-review and the unclaimed property categories relevant to each. Identify the associated accounts where those properties reside.
- 2 REVIEW the transaction level source records and isolate those transactions with potential to be unclaimed property.
- 3 RESEARCH the disposition or outcome of the transactions identified and establish whether the liability remains due.
- 4 NOTIFY and locate the owners of the unclaimed property through the issuance of Due Diligence Letters in an effort to reunite the property.
- 5 REPORT your unclaimed property electronically.
- 6 REMIT your payment to the Office of Arkansas Auditor of State.



When is Property Reportable?

This self-review should cover the last 10 report years. As an example, for a holder with a November 1st reporting deadline, any property category with a **1-year** dormancy...

Issue or Last Active Date	Report Due Date	Status
7/1/12 – 6/30/13	November 1, 2014	Past Due
7/1/13 – 6/30/14	November 1, 2015	Past Due
7/1/14 – 6/30/15	November 1, 2016	Past Due
7/1/15 – 6/30/16	November 1, 2017	Past Due
7/1/16 – 6/30/17	November 1, 2018	Past Due
7/1/17 – 6/30/18	November 1, 2019	Past Due
7/1/18 – 6/30/19	November 1, 2020	Past Due
7/1/19 – 6/30/20	November 1, 2021	Past Due
7/1/20 – 6/30/21	November 1, 2022	Past Due
7/1/21 – 6/30/22	November 1, 2023	Past Due



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What are common property types in my industry?

A detailed review of your organization's general ledger(s) would be the best starting point to identify relevant property categories. The below examples are not meant to be an exhaustive list.

- **Financial Institutions** – checking and savings accounts, matured CDs, security deposits, cashier's checks, trust accounts, unidentified deposits, treasurer's checks, etc.
- **Healthcare** – accounts receivable, patient credit balances or overpayments, unidentified remittances, accounts payable, patient refunds, payroll, etc.
- **Retail or manufacturing** – commission payments, payroll or wage checks, vendor checks, accounts receivable credit balances, worker's compensation checks, etc.
- **Utilities** – utility deposits, customer refunds or rebates, royalties, etc.
- **Colleges/Universities** – tuition refund checks, student account credit balances, student stipend checks, payroll checks, vendor payments, etc.



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Questions?



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Audit Process



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Audit Process

- Examination Types
- Notification
- Opening Conference
- Requests
- Data Analysis
- Unclaimed Property Identification
- Due Diligence and Remediation
- Final Reports



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Examination Types

- Desk Audit
 - Holder self review
 - Expedited timeline
 - State oversight and review
- State Full Audit
 - State auditors complete audit
 - Data information requests
 - Review of audit documentation
- Third Party Audit
 - Third party auditors complete audit
 - Data information requests
 - Review of audit documentation



Notification

- **Initiation Letter**
 - Entities included in the examination
 - Description of included types of unclaimed property
 - Description of the time period covered by the examination
 - Identification of contacts
 - State
 - Third-party auditor
- **Opening Conference**



Opening Conference

- Audit Scope
 - Participating states (for multistate examinations)
 - Property types
 - Company subsidiaries
 - Look-back period
- Examination Contacts
 - Audit manager
 - Legal contact
 - State contact
- Description of Auditing Procedures
 - Expected data requirements
 - On-site vs. off-site
- Nondisclosure Agreement (For Third Party Audits)



Opening Conference

- **Document and Information Requests**
 - Issue and review
 - Proposed response dates
- **Security**
 - Encryption of PII
 - Secure FTP
 - Company website
- **Reporting of Property During Examination**
 - Past due requirements
 - Pre-reporting requirements



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Opening Conference

- **Conclusion of Examination**
 - Draft report provided listing all identified unreported property
 - Holder review and reconciliation
 - Delivery instructions
- **Follow-Up Letter**
 - Memorializing opening conference
 - Includes applicable state attachments



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Requests

- **Policies and Procedures**
- **Administrative Data**
- **Prompt Production of Necessary Information**
 - Allows the audit to proceed efficiently

- **Examples of Initial Requests**

- Unclaimed property policies and procedures
- Other relevant policies and procedures (uncashed checks)
- Prior reported unclaimed property
 - From administrative system (HRS Pro)
 - Text or Excel
- Administrative systems breakdown



Data Analysis

- Process to Identify Unreported Unclaimed Property
 - Data requests
 - Available Owner information
 - Property information
 - Industry-specific data
 - Records maintained by the holder
- Data Intake
 - Completeness, accuracy, and integrity of received data sets
- Data Normalization
 - Common formatting
 - Identify unique account identifiers



Data Analysis

- **Thorough Review**
 - For accuracy and completeness
 - Data updates when necessary
- **Escheatability Processing**
 - State-specific dormancy periods for property types
- **Reporting**
 - Provided to the holder for review and reconciliation



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Unclaimed Property Identification

- **Audit Process to Ensure Distinct Unclaimed Property Identification**

- Policies and procedures
- Company books and records (PII, last contact date, returned mail)
- Record retention

- **Statistical Estimation, If Necessary**

- In accordance with professional standards
- In conjunction with holder and state
 - Population
 - Years
 - Escheat history
 - Outlier and defect review



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Due Diligence and Remediation

- **Holder Review of Report**

- Supplemental data and information
- Auditor re-review of triggering event

- **Due Diligence of Unclaimed Property**

- Statutory requirements and timing
- Reunite property with owner or report to the state

- **Escheat Process**

- Auditor informs holder
- In conformance with normal state requirements and NAUPA formatting
- Continuing statutory obligations after audit conclusion



Final Reports

- **Provided to Holder at Audit Close**

- Includes a summary of the audit processes performed
- Outlines the findings of the examination
- Details methodologies used to determine the amount of unclaimed property
- Documents any disputed issues or record deficiencies

- In conjunction with the final report, a report detailing each individual item of unclaimed property identified as a result of the examination process is provided



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