

REPORT HIGHLIGHTS



DIVISION OF UNCLAIMED PROPERTY
PERFORMANCE AUDIT, JULY 2019

DEPARTMENT OF THE TREASURY
DIVISION OF UNCLAIMED PROPERTY

CONCERN

The Division of Unclaimed Property is not fully meeting its core responsibility under the Unclaimed Property Act to reunite citizens with lost or forgotten property.

KEY FINDINGS

- The 429,526 unclaimed property claims records we received contained 391,938 records that we identified as duplicate, incomplete, inaccurate, or questionable that did not represent valid claims, due in part to IT system conversion issues. These 391,938 records represented a total of 713,637 properties; more than 650,000 of these properties included items such as cash, checks, and money orders with a value totaling \$271.5 million.
- The Division did not act on 8,170 of the 17,128 claims tested within 90 days as required by state statute. Additionally, it took anywhere from the same day to 1.8 years to pay a claim once it was approved for payment.
- The Division has not mailed notifications since March 2005 to approximately 1.6 million owners of unclaimed property as required by state statute.
- The Division accepts unclaimed property from holders with an “unknown” or “unidentified” name—even if the property would be expected to have an owner name—for properties such as payroll checks, savings accounts, and safe deposit boxes.
- The Division had not taken physical custody of approximately 1,085 tangible unclaimed property items reported to the Division by property holders even though state statute requires the Division to take custody of the property when it is reported by the holder.
- The Division did not sell tangible unclaimed property within 3 years as required by state statutes.
- Treasury accounting staff recorded claims and interest distributions incorrectly, and has not determined the amount of the error or made any necessary adjustments.

BACKGROUND

- The Unclaimed Property Division was created within the Department of the Treasury on July 1, 1987, when the General Assembly enacted the Unclaimed Property Act (Act) [Section 38-13-101, C.R.S.]. The Division’s core responsibility under the Act is to reunite citizens with lost or forgotten property.
- The sources of unclaimed property are businesses or other entities, such as banks or utility companies holding deposits, known as “holders,” in possession of property belonging to someone else (the owner).
- Types of forgotten property can range from “intangible” property such as cash, checks, and dividends, to “tangible” property contained in safe deposit boxes such as precious metals, gift cards, or other valuables.
- According to the Division, it has returned \$452 million in unclaimed property since its creation in 1987.
- There are four different types of claims for unclaimed property: (1) owner claims, (2) heirship claims, (3) business claims, and (4) government claims.
- The Division implemented a new unclaimed property system, named KAPS, in May 2017.
- The Division uses two funds to administer the Unclaimed Property program—the Unclaimed Property Trust Fund and the Tourism Promotion Trust Fund.

KEY RECOMMENDATIONS

- Comply with state statutes to ensure unclaimed property claims are processed in a timely manner and that its claims backlog is eliminated.
 - Enforce its policies and procedures related to the notification of unclaimed property owners.
 - Comply with state statutes related to and implement internal controls over the accepting, safeguarding, and sale of unclaimed property.
 - Implement an adequate review process over accounting transfers between funds to ensure accurate reporting.
- The Division agreed with our recommendations.