

## EXECUTIVE DIGEST

# UNCLAIMED PROPERTY DIVISION

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### INTRODUCTION

This report, issued in August 2000, contains the results of our performance audit\* of the Unclaimed Property Division (UPD), Department of Treasury.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\* .

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### BACKGROUND

As authorized by Act 29, P.A. 1995 (Sections 567.221 - 567.265 of the *Michigan Compiled Laws*), UPD's mission\* is to assume custody, on behalf of the State, of abandoned property\* that has been unclaimed by an owner\*; preserve the property in trust for the owners or their heirs; and return that property to the rightful owners or their heirs upon presentation of proof of ownership.

UPD receives abandoned property (both tangible property\* and intangible property\*) from holders\* and maintains a database of the names of owners and their last known addresses\* for all abandoned property. UPD publishes notices of abandoned property in all counties on November 1 each year.

Funds received under the Act, including proceeds from the sale of abandoned property, are deposited in the General Fund. UPD maintains a separate trust fund of \$100,000 to pay claims.

For fiscal year 1998-99, UPD reported operating expenditures of approximately \$2.0 million. As of September 30, 1999, UPD had 8 full-time and 8 limited-term employees.

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AUDIT OBJECTIVE,  
CONCLUSION, AND  
NOTEWORTHY  
ACCOMPLISHMENTS

**Audit Objective:** To assess the effectiveness of UPD's operating practices.

**Conclusion:** Our assessment disclosed that UPD's operating practices were generally effective. However, our assessment disclosed reportable conditions\* related to taxable proceeds, limitation of refunds, microfiche record conversion, identification of unclaimed property owners, sale of securities, tangible property inventories and deposits, timeliness of auctions, holder report\* filing, identification of potential holders, holder examinations, administrative rules, and written policies and procedures (Findings 1 through 12).

**Noteworthy Accomplishments:** In August 1999, UPD implemented a web site on the Internet that lists the owners of unclaimed property valued over \$50. This web site ([www.treas.state.mi.us](http://www.treas.state.mi.us)) enhanced UPD's efforts to locate owners of unclaimed property.

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AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the program and other records of the Unclaimed Property Division. Our audit was conducted in accordance with *Government Auditing*

*Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included the testing of records primarily covering the period October 1, 1996 through September 30, 1999. Our methodology included a preliminary review of UPD operations. This consisted of discussions with staff regarding their functions and responsibilities, tests of program records, and a review of Department and UPD policy directives and operating procedures to gain an understanding of UPD's activities and to form a basis for selecting certain operations for audit.

We assessed and tested records relating to holder reporting of unclaimed property, receipt of unclaimed property, inventory of non-cash unclaimed property, and refunding of claims for unclaimed property. We conducted a survey (see supplemental information) to compare UPD's operating practices with those of other states.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 12 findings and 13 corresponding recommendations. The Department's preliminary response indicated that it agreed with 9 recommendations and disagreed with 4 recommendations.

UPD complied with 1 of the 3 prior audit recommendations that were included within the scope of our current audit. The other 2 recommendations were no longer applicable.