

Memo

To: Jennifer Okes, Public School Finance Division
Lyza Shaw, Office of School Nutrition

From: Garth Farrend, Audit Manager, Colorado Unclaimed Property Division

Date: 6/10/2014

Re: Unclaimed Property Compliance for School Districts

Virtually every business is a holder of unclaimed or abandoned property. In general, unclaimed property consists of cash and intangible property that has been abandoned – that is, for which there has been no documented transactions with the owner for one or five years depending upon the type of property. It is the responsibility of all holders of unclaimed property to report and remit such property to the State Treasurer annually. Once property is remitted to the State Treasurer, the funds are held in perpetuity until the rightful owners or their heirs are located. The State Treasurer acts as custodian for the funds and never assumes ownership of the property. Government agencies, including school districts, follow a one-year dormancy period for all types of property.

The Colorado Unclaimed Property Division (Division) is trying to raise the awareness of schools about the requirements and responsibilities for reporting unclaimed property. We reviewed a sample of twenty-eight Colorado school districts and found thirteen districts had filed at least one unclaimed property report with us in the last five years. The districts that are not filing reports may not be aware of their responsibilities, so we decided desk audits would be a good way to raise awareness of the program.

Desk audits are performed by contacting the holder by mail, telephone or e-mail as opposed to performing an on-site audit. During a desk audit, we ask holders to review their records for unclaimed property and report any property they identify. We do not assess interest or penalties if the holder voluntarily reports past-due unclaimed property.

We tailored our desk audit letter and accompanying questionnaire to guide the school districts to areas where they may be holding unclaimed property. Unclaimed property includes:

- Wages – Wages that remain unclaimed for one-year should be turned over to the custody of the State Treasurer.

- Accounts payable – Vendor payments may be lost or returned undeliverable by the post office. If these payments are not reissued, they become unclaimed property.
- Miscellaneous income – Districts will write off to income stale dated checks to keep their outstanding check lists short and clean. Failure to cash a check does not prevent property from becoming unclaimed.
- Credits and refunds – Schools often hold deposits and prepaid accounts. The account become unclaimed after a student graduates or leaves the district and is no longer in contact with the school. Failing to request a refund does not prevent a balance from becoming unclaimed property.

More information is attached.

Unclaimed Property FAQs

The food service department has historically held unused student lunch accounts as deferred revenue. Why have the balances now become unclaimed property?

Districts have ignored the food area, when reporting unclaimed property, because school lunch accounts are often small and refunds are issued only when requested. Lunch accounting is performed separately and the individual balances are not readily available to the district's finance department.

How should a district handle small dollar balances?

School districts have policies in place governing refunds for student events, athletics and lunches. Some school districts allow students to obtain small refunds from the cafeteria cashier. We recommend each district establish a policy which allows students to obtain a refund of their small account balances.

We realize school districts may hold a lot of small balances and it is not worth the time and effort needed to research them. The Division does not insist that schools report unclaimed amounts that are \$5.00 or less. If an unclaimed account is more than \$5.00 then report the accounts to us.

How does the deduction work?

School districts may not be familiar with the deduction offered by the Colorado Unclaimed Property Act. A holder may deduct and retain two-percent or \$25.00 from the amount of unclaimed property due to an owner. For example, if a former employee did not cash his \$75.00 paycheck, the district may deduct \$25.00 from his check and remit \$50.00 to the Division.

Do A/P checks follow the one or five year dormancy period?

The Colorado Unclaimed Property Act sets a different dormancy period for government agencies (one year) than for regular businesses (five years).

Who should report unclaimed property, the district or the school?

We suggest the district be responsible for reporting all unclaimed property held by it's schools. This will require coordinating with school financial secretaries to determine student account balances and researching stale dated checks.

Can the district carry over a student's lunch account from one year to the next or from school to school?

Yes, carrying balances until a student graduates or moves from the district is consistent with the Unclaimed Property Act. We do not consider property to be unclaimed until the district loses contact with the student.

If a student pays for a school field trip but does not go on the trip is this unclaimed property?

Schools usually have policies that allow refunds if certain conditions are met (for example, the student must cancel by a certain date, refunds are available only if the spot is resold to another student, etc.). If all the refund conditions are met but the student did not claim his refund, then it would become unclaimed property.

What counts as a last activity date?

The last activity date is the date of the last deposit or withdrawal made by the owner, or the date the check or draft was issued.

When reporting credit balances on a student account is the "owner" the parent or the student?

Refund checks are usually issued to the parent or guardian so the parent is the owner.

Unclaimed Property Reporting Instructions for School Districts

Please refer to the [Colorado Unclaimed Property Act](#) law for specific requirements.

WHAT IS UNCLAIMED PROPERTY?

Unclaimed property is tangible or intangible property that has had no activity for a specific period of time. Generally the dormancy period for government is one year. Unclaimed property is reportable in all 50 states.

Unclaimed property includes, but is not limited to:

- savings accounts
- checking accounts
- uncashed checks/drafts
- stocks/other securities
- mutual funds
- uncashed dividends
- overpaid accounts
- customer overpayments
- traveler's check
- proceeds from insurance policies, endowments and annuities
- safe deposit box contents
- security and cash deposits
- credit memos
- gift certificates
- lay-away accounts
- credit balances
- wages/payroll
- oil and gas royalties and interest payments
- money orders
- moneys distributable from trusts
- uncashed insurance claim payments, premium refunds and commissions
- safekeeping items

WHO IS REQUIRED TO REPORT UNCLAIMED PROPERTY?

1. All types of companies including banks, financial institutions and business entities;
2. Public institutions including courts, municipalities, governmental subdivisions/agencies, public corporations or authorities;
3. You must review your records each year for outstanding unclaimed property. If you have no unclaimed property, you need not file a report, however, you should update your address and contact changes regularly.

WHEN IS THE REPORT DUE?

The annual report and remittance due date is **NOVEMBER 1**.

DUE DILIGENCE

The Law requires businesses to try to locate the owner.

Not more than **120** days before filing the unclaimed property report, for property in the amount of **\$50.00** or more, the holder shall send written notice to the apparent owner's last known address stating that property is being held and may be turned over to the State Treasury. This is referred to as DUE DILIGENCE.

RECORD RETENTION

Property owners may contact you to claim abandoned property. Good records will help you to establish if the owner has a legitimate claim, provide proof of prior payment, and provide a paper trail. We also may need to contact you to verify the ownership of property reported to us. **You must retain copies of reports and supporting financial records for five (5) years after the property becomes reportable.** Your records must indicate the date of last activity or contact with the owners of property, as well as the last known address, if available.

We suggest using a log to keep track of your contact with the property's owners. At our seminars we hand out an example of a phone contact log. We have attached a copy for your consideration (see Page 9). Please feel free to change it as much as you want.

WHAT REPORTING FORMS NEED TO BE FILED?

If you determine that you are holding unclaimed property, you must complete [Form A](#) & [Form B](#), or use [NAUPA](#) compliance software from a company such www.wagers.net or www.byetm.com.

WHAT PERIOD OF TIME DOES THE REPORT COVER?

Please report any property that has become dormant in the annual reporting period ending on June 30 as well as any additional property that became dormant in an earlier period if not yet reported.

DO PROPERTIES FOR UNKNOWN OWNERS NEED TO BE REPORTED?

All unclaimed property should be reported whether or not the identity of the owner is known. If an owner's name is not available, enter "**UNKNOWN**" in column 7 on Form B.

DO SMALL AMOUNTS OF UNCLAIMED PROPERTY NEED TO BE REPORTED?

All unclaimed property must be reported regardless of amount or value. For ease in reporting, unclaimed accounts or property valued at fewer than \$25.00 may be reported by property type in the aggregate. **You may not take a deduction when reporting in the aggregate.**

Example: If the company has 123 uncashed checks totaling \$1,700.00, Form B would have the following entry:

4. Property Code	...	7. Owner Name	...	9. Date of Last Trans	10. Amount Reported	...	12. Total Amount Remitted
CK05		Aggregate		6/30/2013	\$1700.00		\$1700.00

Note: Submit your report with a list of the owners of the aggregated funds and the amount of each item. This list must include the owner's name, address if known, and the amount due. The list should be maintained with your detailed records for five years. This information will be used for follow up when items are claimed by owners.

ALLOWABLE DEDUCTION

Except for aggregated amounts, you may voluntarily deduct and retain from each item remitted 2% of the value of the property you are remitting or \$25.00, whichever is more. The amount deducted from each item cannot exceed the amount due the owner. For instance, if the amount due the owner is \$10.00, you cannot retain \$25.00, the amount you would retain is \$10.00.

Note: Holders may not retain the allowable deduction for properties with addresses in other states.

REPORTING PROPERTY FOR OTHER STATES

If you are incorporated in Colorado, you may report to Colorado **five or fewer** unclaimed property items owned by those with addresses in other states. The Division will forward the names and property of out-of-state owners to the appropriate states.

Note: Holders may not retain the allowable deduction for properties associated with states other than Colorado.

FEELING OVERWHELMED? HOLDER ASSISTANCE CAN HELP

Our holder assistance program is designed to educate and inform holders of their reporting requirements. Our services are free and we will be glad to assist you through:

1. Telephone assistance -We will answer your calls and guide you through the unclaimed property reporting form.
2. Office Visit- Our staff will meet with company personnel for one or two hours to explain our program, answer your questions, and help you complete the forms.
3. On-site assistance - More involved than an office visit. We will provide guidance and assistance to holders as you prepare your initial report and assist you to develop a system to identify, track and report unclaimed property in the future.
4. Seminars- The Division offers a series of seminars in July and August to educate citizens and businesses about the Unclaimed Property Act and related compliance responsibilities.

ELECTRONIC REPORTING

The Division requires electronic reporting in the current NAUPA format for any report containing more than twenty items. Download the holder reporting software to your computer and install it. When you are done entering information, follow the instructions to create a CD. Send the CD, a form A, and your check to the Great Colorado Payback. Reports may be submitted on a CD or by e-mail.

To obtain the holder reporting software, go to Wagers.net or www.byetm.com.

For information, or technical assistance on any of the above, call us.

Colorado Department of Treasury
Unclaimed Property Division
1580 Logan Street, Suite 500
Denver, CO 80203
Phone 303-866-6070 or Toll Free 800-825-2111

Stale Check Research Log

Payee Name, Check #	Date, Employee	Contact Information	Results of Due Diligence
Payee Name: _____ Account Number: _____ _____ Check Number: _____ _____ Check Date: _____ _____	Employee Name: _____ Contact Date: _____ _____	By Mail E-Mail _____ Telephone _____ (____) _____	Amount was not owed Reason: _____ _____ _____ _____ Replacement Check Issued New Check #: _____ New Check Date: _____ Other: _____ _____ _____ _____
Payee Name: _____ Account Number: _____ _____ Check Number: _____ _____ Check Date: _____ _____	Employee Name: _____ Contact Date: _____ _____	By Mail E-Mail _____ Telephone _____ (____) _____	Amount was not owed Reason: _____ _____ _____ _____ Replacement Check Issued New Check #: _____ New Check Date: _____ Other: _____ _____ _____ _____
Payee Name: _____ Account Number: _____ _____ Check Number: _____ _____ Check Date: _____ _____	Employee Name: _____ Contact Date: _____ _____	By Mail E-Mail _____ Telephone _____ (____) _____	Amount was not owed Reason: _____ _____ _____ _____ Replacement Check Issued New Check #: _____ New Check Date: _____ Other: _____ _____ _____ _____
Payee Name: _____ Account Number: _____ _____ Check Number: _____ _____ Check Date: _____ _____	Employee Name: _____ Contact Date: _____ _____	By Mail E-Mail _____ Telephone _____ (____) _____	Amount was not owed Reason: _____ _____ _____ _____ Replacement Check Issued New Check #: _____ New Check Date: _____ Other: _____ _____ _____ _____
Payee Name: _____ Account Number: _____ _____ Check Number: _____ _____ Check Date: _____ _____	Employee Name: _____ Contact Date: _____ _____	By Mail E-Mail _____ Telephone _____ (____) _____	Amount was not owed Reason: _____ _____ _____ _____ Replacement Check Issued New Check #: _____ New Check Date: _____ Other: _____ _____ _____ _____