EXECUTIVE SUMMARY

DEPARTMENT OF THE TREASURY
UNCLAIMED PROPERTY ADMINISTRATION

We found the financial transactions included in our testing were related to the Unclaimed Property Administration’s (UPA’s) programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we have identified opportunities to enhance revenue and debt collection and improve unclaimed property reporting. We also noted a change in legislation could provide cost savings and the ability to increase outreach efforts. We also determined the UPA was meeting its statutory responsibilities administering the program; however, there is approximately $38.6 million in cash property from out-of-state owners that should be returned to the respective states. In addition, we made an observation concerning the potential to increase life insurance distribution to beneficiaries or to escheat property to the UPA.

AUDIT HIGHLIGHTS

• The UPA provides the ability for potential owners to search for unclaimed property through the use of a third-party website. A review of unclaimed property as of July 17, 2015 noted up to 304,000 cash properties valued at $274.4 million and up to 12,000 stock properties totaling 10 million shares that should have been included on the website, but were not.

• In fiscal year 2015, the UPA expended $1.1 million to advertise unclaimed property in newspapers, as required by New Jersey Statutes. We estimated that paid circulation to New Jersey residents over age 18 has declined significantly to between 12 percent and 14 percent per day. Redefining the statutory requirement would enable the UPA to use cost savings to pursue means of outreach other than newspapers.

• Businesses that are incorporated in New Jersey or have a business presence in New Jersey are required to submit unclaimed property reports to the UPA annually. We noted that 116,000 businesses did not submit a report in fiscal years 2014 and 2015.

• A 1965 Supreme Court of the United States decision established that unclaimed property is first escheated to the state of the owner’s last known address. The UPA estimated $38.6 million in cash property belonging to owners whose last known address was out-of-state was being held in their trust funds as of August 17, 2015.

• The UPA is not required to verify if claimants have any state or federal debt. A review of the SOIL database noted up to $1.3 million of claims paid in fiscal year 2015 could have been recovered for outstanding SOIL debt had a match been completed and the UPA was granted the authority to do so.

• We observed that New Jersey does not have a law that requires insurance companies to perform a match with the Social Security Administration’s Death Master File to determine if life insurance policy holders are deceased in order to distribute money to beneficiaries or escheat to the state.

AUDITEE RESPONSE

The UPA concurs with our findings and recommendations.

For the complete audit report click here.