

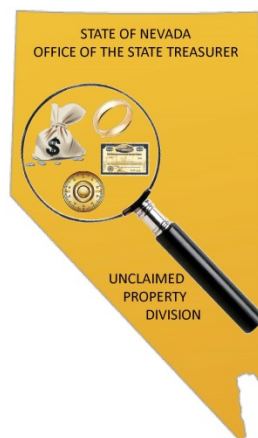


Nevada State Treasurer
Unclaimed Property Division

AUDIT GUIDE
FOR HOLDERS

(Revised December 2014)

State Treasurer, Unclaimed Property Division
555. E. Washington Avenue, Suite 4200
Las Vegas, NV 89101





Nevada State Treasurer

Our objective in publishing the Audit Guide for Holders is to assist you with the statutory duty of reporting unclaimed or abandoned property to the State of Nevada, per Nevada Revised Statutes (NRS), Chapter 120A. I would also encourage you to review a copy of our Reporting Unclaimed Property: A Guide for Businesses brochure, which is available on our website at nevadatreasurer.gov. The information contained in this booklet will help guide you through this process. Of course, we are also available to answer additional questions by email or phone.

All 50 states and the District of Columbia have unclaimed property laws. Unclaimed property can be any financial asset or safekeeping contents owed to another business or individual. Property is considered abandoned when there has been no activity and/or contact with the owner for a specific period of time. The property type will determine the abandonment period; however, it is generally three years.

When the appropriate time period has passed and a holder's attempts to locate the rightful owner have been unsuccessful, the assets must be transferred to the Nevada State Treasurer's Office Unclaimed Property Program. The State Treasurer's Office holds the assets in trust and is required to advertise the rightful owners' names in an effort to return the assets to them. These assets include payroll, accounts payable, refund checks, utility deposits, gift certificates, insurance refunds, bank accounts, mutual funds, stocks, bonds, dividends, items left in safe deposit boxes, and other items as specified in statute. Assets such as vehicles, boats, or real estate are not considered unclaimed property subject to NRS Chapter 120A.113. Once the assets are reported to the State Treasurer, the holder is released from any liability for these assets.

Any entity or person in possession of unclaimed property that belongs to a Nevada resident or business is considered a holder of unclaimed property and is required to report that property to the state. This includes holders of property in other states in possession of property owed to Nevada residents and businesses. Holders incorporated in Nevada must also report and remit all property where the owners' names and addresses are unknown. Any entity conducting business within the State of Nevada that has branches, divisions or other affiliates is responsible for filing on their behalf (financial institutions, utility companies, business associations, legal entities, etc.).

In accordance with NRS 120A.690, the State Treasurer is tasked as the Administrator of unclaimed property, including ensuring that holders are in compliance with the laws and reporting requirements of the state through the examination of records conducted through audits of the books and records of businesses. Specifically, NRS 120A.690 states:

“The Administrator, at reasonable times and upon reasonable notice, may examine the records of any person to determine whether the person has complied with this chapter. The Administrator may conduct the examination even if the person believes he is not in possession of any property that must be reported, paid or delivered under this chapter. The Administrator may contract with any other person to conduct the examination on behalf of the Administrator.”

To comply with the statute, the Treasurer’s Office Unclaimed Property Program employs in-house auditors and contracts with private sector professional auditors specializing in the area of unclaimed property to conduct audits of various businesses. Through these two sources we strive to work with businesses in our state to carry out our mandated function in a concise and conscientious manner. In order to ensure an objective and professional audit of your business, this office maintains strict standards and schedules for inspection of records. Many questions can be answered by going to our website and reviewing our Holder Reporting Manual.

As mentioned earlier, please feel free to contact the Unclaimed Property Division directly if you need further assistance or clarification.

Nevada Unclaimed Property
555 E. Washington Ave., Suite 4200
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702-486-4140; Toll Free 800-521-0019 (Nevada only)
nevadatreasurer.gov

Thank you for your cooperation and assistance as our office works with businesses across the state to comply with State of Nevada laws regarding unclaimed and abandoned property.

Audit Risk Factors

The Unclaimed Property Program analyzes several risk factors in determining a semi-annual audit plan. These risk factors are analyzed using a weighted criteria to determine potential audit candidates.

Reporting Guidelines

Per NRS 120A.560(4), businesses incorporated in the State of Nevada or which do business in Nevada must annually report to the Nevada Unclaimed Property Division all unclaimed property prior to November 1st of each year; insurance companies must report prior to May 1st. If there is no unclaimed property to report, a Negative Holder Report should be filed with the Unclaimed Property Division. Reports can be filed manually or online.

Voluntary Compliance

The State of Nevada has an active compliance/amnesty program. The objective of the program is to allow an unclaimed property holder (“Holder”) to become compliant by reporting past due amounts and to establish internal control procedures to ensure compliance in the future. Holders must perform their own self audit, but support is provided by the audit staff of the Unclaimed Property Division. By entering into a Voluntary Disclosure Agreement (VDA) and by complying with the terms and conditions of the program, interest and penalties will be waived. However, entering into a VDA will not prevent the Unclaimed Property Program from initiating audit procedures if it is determined that not all property has been reported during the self audit process. The VDA only applies to those holders who voluntarily come forward and have not been notified of an audit.

Auditing

If a holder is identified for audit, the following occurs after an auditor is assigned to complete the examination:

- The holder is notified via written letter that they have been selected for examination;
- The auditor requests an opening conference to review with a holder the law, required records, typical property types, discuss an audit plan, and agree on an audit start date; and
- The auditor begins the examination on the date agreed upon at the opening conference.

Each audit consists of an opening conference, field work, an exit conference, and closing conference.

Opening Conference

Once the audit notification letter has been received by the holder, the auditor in charge contacts the holder to set up a mutually agreed upon time for the opening conference. The auditor meets with the authorized representative of the holder to review the Uniform Unclaimed Property Act (NRS 120A) and the audit plan. The holder is encouraged to invite all interested parties to the meeting and to be prepared to review their organizational structure, location of records, and to appoint a liaison for the auditor to contact during the audit process. Participants are encouraged to ask questions and be prepared to receive a list of records that will need to be provided to the auditor.

Field Work

The examination of records is generally conducted at the holder's office. However, the location of records, necessity of certain procedures, and other extenuating factors may require certain procedures or the exam to be performed offsite. The actual amount of field work performed will vary depending on the size, business type, compliance with pre-audit requests, availability of records, and the complexity of unclaimed property reporting. Based on the auditor's initial review of the records provided for examination, audit work may be limited in scope to selected property types or reporting periods. Timely presentation of requested records helps reduce field work and the overall time required for completion of an audit.

Exit Conference

Once field work is completed, the auditor reviews the preliminary findings with the holder.

Remediation

The holder is asked to:

- Research the findings and determine which items it believes are unclaimed property;
- Complete due diligence and return property to the rightful owner, if found; and
- Meet with the auditor to discuss any audit adjustments after the above steps are completed.

Closing Conference

Once remediation is complete, the auditor schedules a closing conference to review the findings. During the closing conference the holder is presented with a demand letter disclosing the final findings, the amounts due, and any interest or penalties. A payment due date is determined. If payment is received after the due date, additional interest or penalties may be assessed.

Internal Controls - Businesses Should Be Aware!

Holders should be aware that abandoned property presents a strong temptation for embezzlement and fraud. Lost owners are unlikely to monitor the funds a business is holding for them. Adequate internal controls are needed to safeguard unclaimed property held by businesses.

Suggestions to improve the safekeeping of unclaimed property include:

- Separate stale-dated checks and aged customer credit into a unclaimed property liability account.
- Create procedures to provide business managers control over transactions entering and exiting the unclaimed property account.
- Require a second person to independently reconcile the account on a regular basis.
- Have more than one employee required to approve refunds or other transactions from the account.
- Separate the duties of tracking and reporting unclaimed property from issuing refunds.

For more information, ask your accountant or internal auditor to assist in the design of a plan to safeguard unclaimed property and periodically review internal controls.

Common Errors Found in Audits

Some common problems found in audits include:

- Small credit balance write-offs not reported, as required.
- Property was not aged correctly for abandonment.
- Some disbursement accounts not reviewed for unclaimed checks.
- Stock and dividends held by the holder's transfer agent not reported.
- Reportable property not properly transferred to new accounting systems.

Record Retention Requirements

Per NRS 120A.700, a holder required to file a report must maintain records for 7 years after the report is filed. In addition, records for traveler's checks, money orders, or similar instruments other than third-party checks must be maintained for 3 years after the report is filed.

Specifically NRS 120A.700 states:

1. Except as otherwise provided in subsection 2, a holder required to file a report under [NRS 120A.560](#) shall maintain the records containing the information required to be included in the report for 7 years after the holder files the report, unless a shorter period is provided by regulation of the Administrator.
2. A business association or financial organization that sells, issues or provides to others for sale or issue in this State, traveler's checks, money orders or similar instruments other than third-party bank checks, on which the business association or financial organization is directly liable, shall maintain a record of the instruments while they remain outstanding, indicating the State and date of issue, for 3 years after the holder files the report.

Estimations

Per NRS 120A.690(6), if a holder does not maintain the records required under NRS120A.700 and/or the available records are insufficient to permit the preparation of a report, the Unclaimed Property Division may calculate a reasonable estimate based on available records.

Penalties, Charges and Interest

Per NRS 120A.730, a holder who fails to report, pay, or deliver property within the time prescribed by NRS120A shall be subject to interest and penalties. In addition, the Unclaimed Property Division may also consider charging the business for the examination of its records. The Administrator, for good cause, may waive in whole or in part, interest and penalties if the holder acted in good faith and without negligence.

Appeal Procedures

If the Unclaimed Property Division and the holder under examination cannot reach agreement on the audit results, the Unclaimed Property Division sends a formal demand letter for the property in question., which may also be reviewed by the Attorney General's Office. The holder must respond by the due date in the demand letter. The Unclaimed Property Program communicate this in writing and if the issue is not resolved, a meeting between the holder and the Unclaimed Property Division is held. If the disagreement still cannot be resolved, the Unclaimed Property Division may ask the Attorney General's Office to bring action in court to settle the dispute.

Need Help?

Please visit the Nevada State Treasurer's website at nevadatreasurer.gov and click on the Unclaimed Property bar to review the Holder Reporting Manual where many of your questions may be answered. You can also speak to or email an Unclaimed Property Division representative who can help assist you in complying with NRS 120A.

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