

Standard Operating Procedure:

Unclaimed Property Procedure

Division:

Financial Services

Effective Date:

11/01/2022

Executive Director Approval:

Reference to ASC or State Policy:

Revisions:

- I. PURPOSE:** This provides the guideline on the escheatment for California's Unclaimed Property including uncashed checks. California's Unclaimed Property Law requires corporations to annually report and deliver unclaimed property to the State Controller's Office (SCO).
- II. SCOPE:** This procedure applies to all CSU Fullerton Auxiliary Services Corporation (ASC) unclaimed property based on the period of the time as defined by state law.
- III. OBJECTIVE:** The objective outlines the process and procedures in place to ensure the ASC's compliance with the law.
- IV. PROCEDURE:**

Definitions:

Term	Definition
Dormancy Period	A period of time, as defined by state law, during which property remains unclaimed. For uncashed general checks, the period is three (3) years. For uncashed payroll checks, the period is one (1) year.
Escheatment	The process of turning over unclaimed property to the State.
Holder	Any person or corporation in possession of property belonging to another.
Owner	A depositor in case of a deposit, a beneficiary in case of a trust, or creditor, claimant or payee in other cases, or any person having legal or equitable interest in property, or his or her legal representative.
Unclaimed Property	Any financial asset that has been left inactive by the owner by the end of the dormancy period. The California Unclaimed Property law does not include real estate.

Accounting Controls: ASC Financial Services will establish appropriate accounting controls to minimize escheatable property of November 1 of each year reporting deadline. This includes but is not limited to:

1. Maintaining proper accounting systems;

2. Developing controls to prevent credits from being absorbed;
3. Creating reports that identify and age outstanding checks, open credit memos and on-account cash; and
4. Reconciling accounts and researching discrepancies on a regular basis.

Reporting to the State: ASC Financial Services will file the report before November 1 of each year for property unclaimed during the dormancy period as of the preceding fiscal year end. If there is nothing to escheat, a report to the State shall not be required unless requested by the State in writing.

Uncashed Accounts Payable Checks: Accounts payable checks drawn on ASC bank accounts that remain on the outstanding checks reconciliation list after 180 days from the check date shall be considered stale-dated and shall not be honored by ASC's bank if presented for payment. Stale-dated checks shall be voided and removed from the outstanding check list to be reissued. If unclaimed after a period of three (3) years as of the preceding fiscal year end, the funds will escheat to the State.

Review Process: When checks become stale-dated, the accountant shall generate a report detailing the payee information. This report is provided to the accounts payable (AP) staff for review. The AP staff shall verify that payee does not owe money to ASC; if the payee does owe ASC money, AP staff shall provide descriptive information as needed to apply the uncashed check to offset the outstanding debt.

Due Diligence Letters: After review is completed, AP staff shall generate and mail a due diligence letter to the payee before the checks become reportable on November 1 of each year. The letter shall contain the payee's name and address on record, check number, date of check, description if available, and contact person for related questions. The letter shall also contain a section for the payee to certify that the check was never received or was lost, and to request reissuance.

Replacement Checks: If the payee signs and returns the letter to certify that the check was never received or was lost, the check shall be replaced. The associated payee information shall be entered into the unclaimed property database so that the check does not escheat to the State. If a response is not received from the payee, the fund shall be held by ASC until turned over to the State in accordance with escheatment laws.

Uncashed Payroll Checks: Payroll checks drawn on ASC bank accounts that remain the outstanding checks reconciliation list after 180 days from the check date shall be considered stale-dated and shall not be honored by ASC's bank if presented for payment. Stale-dated checks shall be voided and removed from the outstanding check list to be reissued. If unclaimed after a period of one (1) year as of the preceding fiscal year end, the funds will escheat to the State.

Review Process: When checks become stale-dated, the accountant shall generate a report detailing the payee information. This report is provided to the Human Resources (HR) staff for review.

Due Diligence Letters: After the review is complete, HR staff shall generate and mail a due diligence letter to the payee before payroll checks become reportable on November 1 of each year. The letter shall contain the payee's name and address on record, check number, date of check, description if available, and contact person for related questions. The letter shall also contain a section for the payee to certify that the check was never received or was lost, and to request reissuance.

Replacement Checks: If the payee signs and returns the letter to certify that the check was never received or was lost, the check shall be replaced. The associated payee information shall be entered into the unclaimed property database so that the check does not escheat to the State. If a response is not received from the payee, the fund shall be held by ASC until turned over to the State in accordance with escheatment laws.

V. APPROVALS: Executive Director or designee.

VI. CONTROL & COMPLIANCE: Unclaimed property holder (ASC) is in compliance with the State of California's unclaimed property laws as enacted by the legislature.