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# Unclaimed Property

A Continued Risk to  
Healthcare Organizations

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# Agenda

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- Unclaimed Property in the News
- Audits
  - Red Flags and Audit Risk
  - Third-party Audit Firms and Audit Scope
  - Methodology and Estimation
- Annual Compliance
  - Internal Policies and Exemption Identification
  - Dormancy and Due Diligence
  - Report Preparation and Remittance
  - Electronic Reporting, Negative Reporting, and Other Anomalies
- Credit Balances as Unclaimed Property
  - Aged Credit Identification
  - Unposted Cash and Small Balance Write-offs
  - Contracts v. Statutory Requirements



# **Unclaimed Property in the News**

# Unclaimed Property in the News

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- Voluntary disclosure agreements
  - California
  - Other States
- RUUPA
- NAUPA Filing Format
- Missouri Recoveries Legislation
- Wisconsin AB 773 and SB 645
- Litigation Update

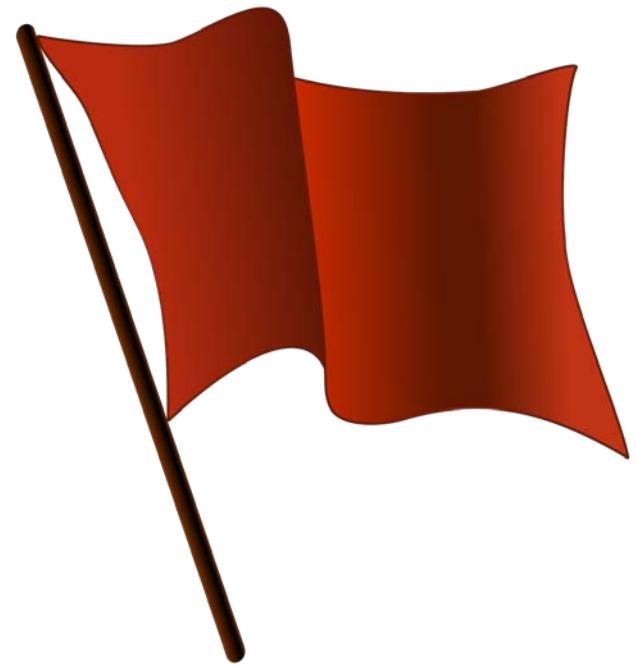


# **Audits**

# Red Flags and Audit Risk

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- Audits typically last 3-5 years
  - Parallel audits
- Red flags
  - Gaps in reporting history
  - Variation of reportable amounts year over year
  - Variation in property types included in report
  - Low ratio of unclaimed property for your industry
- Audit risk
  - Industry
  - Recent acquisition activity
  - Size of organization within your state
  - Operations in multiple states
  - Recovering unclaimed property without reporting history



# Third-party Audit Firms and Scope

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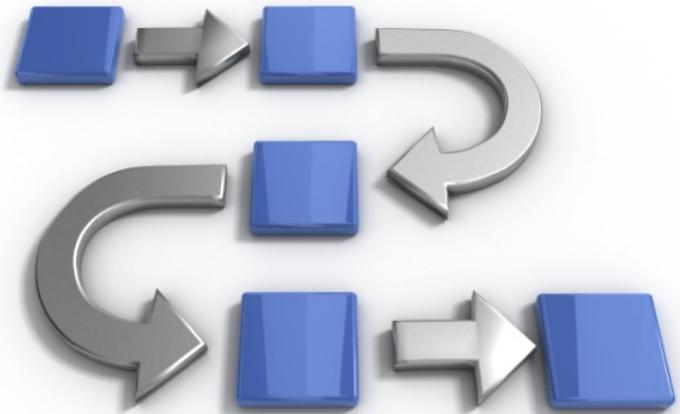
- Third-party firms
  - Contingency and incentive variation
  - Duration of audit and response time
  - Varying degrees of industry expertise
- Scope
  - Participating states
  - Covered entities
  - Covered property types
  - In-scope years
  - Define sufficient documentation within your books and records
- Mitigation Strategies
  - NDA and Scope-control
  - Address non-participating states
  - Compliance



# Methodology and Estimation

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- Methodology
  - Policy and procedure
  - Availability of records
  - Is your liability calculation reasonable and complete?
- Estimation
  - Determine missing information
  - Historical years and/or property types
  - Comparison to outstanding property held
  - Industry average assessment



## Question 1:

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Which of the following is often a substantial risk to healthcare organizations during an unclaimed property audit?

- a) Gaps in reporting history
- b) Variation of included property types
- c) Atypical industry unclaimed property to revenue ration
- d) All of the above

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# Annual Compliance

# Internal Policies and Exemption Identification

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- Internal Policies
  - When and how often to follow-up with owner
  - Retain outstanding distribution, or track in single purpose GL account?
  - Document retention to support resolution activities
- Exemption Identification
  - **Proceed with caution!**
  - May be retroactively rescinded (Illinois)
  - Business-to-business
  - De-Minimis
  - Recoupment limitation



# Dormancy and Due Diligence

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- Dormancy
  - Statutorily defined
  - Varies by property type and state
  - Payroll typically 1 year, A/P and A/R typically 3-5 years
- Due diligence
  - Last owner contact – often final chance to reunite owner with property
  - Separate from internal follow-up activities
  - Statutorily defined
  - Varies dramatically by state – Each state has different threshold
    - Also consider aggregate thresholds
  - Address contained with holder's "books and records"

# Report Preparation and Remittance

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- Report preparation
  - Various data elements required: employees, assets, etc.
  - Signature and notary
  - NAUPA format file
  - Recommend sending report to physical address
- Remittance
  - Consider internal approval thresholds and timing
  - Some states require electronic remittance above a threshold

# Electronic Reporting, Negative Reporting, etc.

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- Electronic reporting
  - Encrypted files
  - Website upload of report file
  - Upload remittance confirmation
- Negative reporting
  - Generally required after VDA or audit
  - Best practice once filing history established
- State communication
  - Draft a memo explaining variation
  - Call your administrator – they are generally happy to help



## Question 2:

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Which of the following is required when submitting an unclaimed property report to the state?

- a) Complete owner name and address information
- b) All dormant property according to state guidelines
- c) Officer signature and/or notary seal
- d) All of the above

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# **Credit Balances as Unclaimed Property**

# Aged Credit Identification

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- How to age a credit balance?
- Consider effort to resolve aged credits
- Develop a research threshold and policy
- Service date, last payment date, and activity date
- Internal reporting on credit balances
- Primary financial class v. bucket balance

# Unposted Cash and Small Balance Write-offs

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- Unposted cash
  - Timely reconciliation of payments absolutely necessary
  - Define a research time period for unidentified payments
  - Do not allow unposted cash to accumulate or age
  - **Often an area of substantial risk for healthcare providers**
- Small balance write-offs
  - Due diligence and aggregate thresholds
  - Internal effort to research and refund
  - Track overpayments on the GL
  - Consider customer service impact
  - Pay close attention to government credit balance resolution



# Contracts v. Statutory Requirements

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- Contracts
  - Timely filing requirements
  - Audit request time periods
  - Recoupment limitation periods
- Statutory requirements
  - States do not allow “private escheat”
  - Consider appropriate dormancy requirements
  - Remain aware of statutory provider protections
- In general, statutory requirements supersede private contacts



## Question 3:

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Which property type generally represents the largest source of holder liability for healthcare organizations?

- a) A/P checks
- b) Payroll disbursements
- c) Active credit balance accounts
- d) All of the above

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- b) Payroll disbursements
- c) **Active credit balance accounts**
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# What Next?

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- Develop a policy – and follow it!
- Review all property types and policies, significantly:
  - Aged distributions (A/P checks, Payroll, Refunds)
  - Active credit balances
  - Unposted cash, voids, and write-offs
- Document activity
  - Review retention policies
  - Can you justify resolution and disposition of liabilities?
- Communicate
  - Don't hesitate to contact your administrator
  - When in doubt, seek help:

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# Q&A



# Thank You

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