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Unclaimed Property

A Continued Risk to
Healthcare Organizations

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Agenda

- Unclaimed Property in the News
- Audits
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 - 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

- 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

- 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



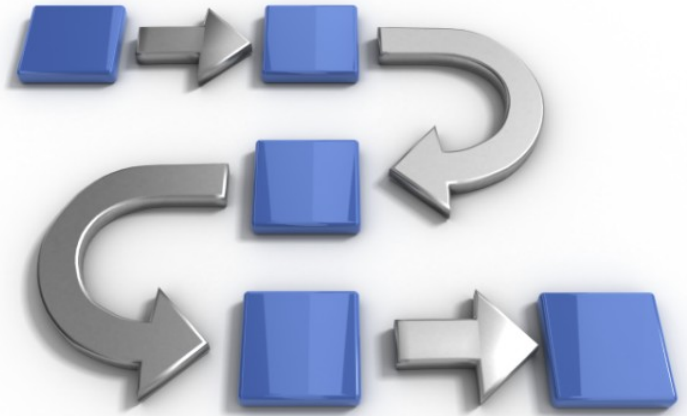
Third-party Audit Firms and Scope

- 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

- 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:

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

- 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

- 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

- 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.

- 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:

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

- 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

- 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

- 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 contracts



Question 3:

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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What Next?

What Next?

- 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:

Crowe can provide personalized assessments and education

Q&A



Thank You

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