NORTH CAROLINA DEPARTMENT OF STATE TREASURER
UNCLAIMED PROPERTY AUDIT PROCEDURES

The audit procedures below are provided as an aid to the auditor in identifying potential unclaimed property during the course of an annual local government or public authority audit. These procedures are not intended to be all-inclusive; professional judgment should be used in determining the extent of tests. A copy of NC General Statute 116B Manual, Guides to Unclaimed Property, Conversion Tables, Reporting Forms, etc. is available at **www.nctreasurer.com**. Because the procedures below may be incorporated with other audit procedures, please read this audit program entirely before beginning fieldwork procedures.

This checklist does not imply that the independent auditor is to conduct an audit to determine the amount of unclaimed property to be remitted to the Unclaimed Property Program of the State Treasurer's Department. This checklist is designed to assist the independent auditor in evaluating the unit's compliance with applicable State laws. Significant statutory violations should be disclosed in the notes to the financial statements and, if applicable, the Government Auditing Standards report on compliance and internal controls. The auditor should consider addressing immaterial violations in the management letter. Because a local unit in violation of the statutes may be subject to penalties and interest, corrective action plans should be formulated following the discovery of unclaimed or abandoned property.

A. OUTSTANDING CHECKS – This section suggests the audit procedures to determine if outstanding checks deemed unclaimed under G.S. 116B are reported in accordance with the Unclaimed Property Law. Outstanding checks from payroll, accounts payable, refunds, etc. are unclaimed property that may be held by the local unit.

Obtain a copy of the most current bank reconciliation for ALL disbursement accounts. (Disbursements accounts may be reconciled in more than one area.)

1. Trace outstanding checks to bank reconciliations to make sure the totals match.
2. Review the outstanding check listing to determine if checks are being held past the one year statutory dormancy period per G.S. 116B-53(c) (12). (Ex. If you are reviewing a12/08 reconciliation and an 11/07 outstanding check is listed, it is potential unclaimed property.)

Review the last bank reconciliation for all closed disbursement accounts prior to account closing.

1. Determine the disposition of any outstanding checks for the closed account. Check to see if outstanding checks were transferred to new account.
2. Review the outstanding check listing for any remaining checks that may have been written off or voided?

Review prior bank reconciliations that are available.

1. Review prior bank reconciliations to determine whether older outstanding checks were voided due to stale date and not reissued.

B. CREDIT BALANCES – This section suggests audit procedures to determine if credit balances that are deemed unclaimed under G.S. 116B are reported in accordance with the Unclaimed Property Law. Such credits may include tax or utility overpayments.

Review the most current Aged Trial balance report.

1. Test that credits are not held past the statutory period, one year per G.S. 116B-53(c) (12).
   NOTE: Credits issued 1/1/95 and forward owed to NC businesses are exempt from NC's unclaimed property statute per G.S. 116B-54(e).
2. Review Trial Balance Accounts for miscellaneous or suspense account containing unidentified or unapplied payments being held past one year. (ex. Unidentified Deposits)

C. DEPOSITS – This section suggests audit procedures to determine if deposits are being held past the one year dormancy period. A utility deposit is a common type of deposit held by local units of government. (ex. Water Deposits)

Obtain a list of the types of deposits held.

1. Obtain and evaluate any deposit contracts to determine terms or conditions for which deposits are held.
2. Inquire as to the policy of when deposits are refundable and how they are refunded.

Determine if deposits are being held past the one-year statutory dormancy period of when the deposit was refundable or if any are written-off due to stale date.

1. Review any deposits being held past the refundable policy terms for any items over one year old. This should include active and inactive accounts.
2. Analyze any unusual entries to the general ledger control account for deposits such as year-end adjustments or large amounts.

D. GENERAL LEDGER AND JOURNAL ENTRY REVIEW – This section suggests audit procedures for examining general ledgers and general journals to determine if potential unclaimed property is apparent in selected accounts.

1. Analyze selected accounts to determine whether any outstanding checks have been written off or reversed.
2. Analyze income and expense accounts to determine whether credit balances, deposits, or other assets have been taken into income or used to offset expense accounts.

E. REPORTING UNCLAIMED PROPERTY – This section suggests procedures necessary if unclaimed property is apparent. If there is evidence that the local unit holds unclaimed property, and such property should be remitted to the Unclaimed Property Program, the independent auditor should look for evidence of proper reporting to the State. If unclaimed property has not been properly reported, the auditor should advise the unit's management of the requirements listed in this checklist and the resources available below for compliance.

A. Due Diligence - Notice **by "holders" (i.e. local government units and public authorities, for purposes of this checklist) to apparent owners.**

Once property is identified as potential unclaimed property, NCGS 116B-59 requires that for amounts due owners $50 and greater, a good faith effort shall be made to locate the owner AND a first class letter shall be sent no more than 120 days (July 1) and no less than 60 days (September 1) prior to the November 1 due date. A sample Due Diligence letter is available on the North Carolina Department of Treasurer's Website: www.nctreasurer.com under Guides to Unclaimed Property. Note: Amounts under $50.00 must be reported but a notice to the owner is not required.

B. Reporting Abandoned Property

Reporting 50 or More Owners - For holders with 50 or more owners to submit we are requesting that they submit their report via CD or disk in the specified NAUPA standard electronic file format. Reports containing 50 or more owners not in the specified NAUPA format may be rejected and returned to the holder for compliance with these guidelines. The current NAUPA format and electronic reports may be obtained free of charge at http://www.wagers.net/hrs/index.php. If you have previously downloaded the HRS software, you will need to download the software again due to changes in the report. To assist with the loading and balancing of holder reports, Unclaimed Property Office is also requesting that an owner detail paper copy or PDF file be sent.

Reporting Less Than 50 Owners - For holders with less than 50 owners, manual reporting forms are available on the North the website under Reporting Forms or may be obtained from the Unclaimed Property office by faxing the front of this letter, noting any changes, to 919-508-5181. An ASD-159 (Unclaimed Property Verification and Checklist) in addition to an ASD-21 (Report of Unclaimed Property) must be completed for reporting cash. Read the instructions on the back of all reporting forms.

Negative Reports – Negative reports are not required. If you elect to file a negative report, an ASD-NEG – Negative Report of Unclaimed Property must be completed. Negative reports cannot be filed using any other form or by letter. An ASD-NEG may be obtained from the website or by contacting our office.

Records Retention - Names, addresses, and social security numbers of the owners must be included on the report form, if available. North Carolina General Statute 116B-73(a) requires that you maintain records containing the information required to be included in the report for 10 years after you file the report.

Types of records to keep:

1. Completed ASD-159G and ASD-21.
2. Last known names and addresses.
3. Proof of due diligence performed.
4. Notes or Memos related to unclaimed property.
5. Supporting documentation such as check registers for corresponding checks remitted, receivable records, etc.

6. Outstanding Checklist and Reconciliations.
7. Information related to void checks or checks issued in error.