

# POLICY ON ESCHEATMENT

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## BACKGROUND AND PURPOSE

The Associated Students, Incorporated (ASI) is required by law to comply with the requirements of California’s Unclaimed Property Law, which relates to various forms of abandoned property including uncashed checks. California’s Unclaimed Property Law requires corporations to annually report and deliver abandoned or unclaimed property to the State Controller’s Office. The purpose of this policy is to document regulations and procedures to ensure ASI’s compliance with the law.

## POLICY STATEMENT

It is the policy of the ASI to comply with the California Unclaimed Property Law. The ASI Business Office shall be responsible for ensuring that ASI is in compliance with the California Unclaimed Property Law as well as for putting processes and procedures in place to minimize escheatable property. At the Board of Control meeting immediately following the November 1 reporting deadline, the Director of Administrative Services will present an escheatment report to the Board.

## DEFINITIONS

For purposes of this policy, the terms used are defined as follows:

Term	Definition
<b>Dormancy Period</b>	A period of time, as defined by state law, during which property remains unclaimed. For uncashed checks, the period is three years. For uncashed payroll checks, the period is one year.

<b>Escheatment</b>	The process of turning over unclaimed or abandoned property to the state
<b>Holder</b>	Any person in possession of property belonging to another, for example a trustee in the case of a trust
<b>Owner</b>	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 a legal or equitable interest in property, or his or her legal representative
<b>Unclaimed Property</b>	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

## STANDARDS AND PROCEDURES

### 1.0 ACCOUNTING CONTROLS

The ASI Business Office will establish appropriate accounting controls and procedures in order to limit escheatable property. 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
4. Reconciling accounts and researching discrepancies on a regular basis.

### 2.0 REPORTING TO THE STATE

Funds escheated to the State of California must be reported to the State Controller pursuant to California Code of Civil Procedure Title 10, Chapter 7 §1530. The ASI Business Office will file the report using the form or format dictated by the State Controller and will include all information requested in Code of Civil Procedure Title 10, Chapter 7 §1530. The ASI Business Office will file the report before November 1 of each year for property unclaimed during the dormancy period as of the preceding fiscal year-end. The Director of Administrative Services will verify the report prior to submission.

If there is nothing to escheat, a report to the State shall not be required unless requested by the State in writing.

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#### 2.1 UNCASHED CHECKS

Checks drawn on ASI bank accounts that remain on the outstanding check reconciliation list after 90 days from check date shall be considered stale dated and shall not be honored by ASI's bank if presented for payment. Stale dated checks shall be voided and removed from the outstanding list. A Journal Entry shall be prepared to transfer the funds to a liability account. If unclaimed after a period of three years, the funds will escheat to the state.

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##### 2.1.1 REVIEW PROCESS

When checks become stale dated, the Staff Accountant shall generate a report detailing the payee information. This report is provided to appropriate accounting personnel for review, who in turn shall verify that the payee does not owe money to ASI, and if the payee does, provide descriptive information as needed to apply the uncashed check to offset the outstanding debt.

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##### 2.1.2 DUE DILIGENCE LETTERS

After the review is complete, the accounting personnel shall generate due diligence letters to payees and mail them not less than six months nor more than 12 months before the checks become reportable. The letter shall contain the payee's name and address on record, check number, date of check, description if available, and a 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 re-issuance.

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### 2.1.3 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 replacement check will be charged to the liability account to which the stale dated check had been accrued. 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 funds shall be held by ASI until turned over to the state in accordance with escheatment laws.

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## 2.2 UNCASHED PAYROLL CHECKS

Payroll checks drawn on ASI bank accounts that remain on the outstanding check reconciliation list after 90 days from check date shall be considered stale dated and shall not be honored by ASI's bank if presented for payment. Stale dated payroll checks shall be voided and removed from the outstanding list. A Journal Entry shall be prepared to transfer the funds to a liability account. If unclaimed after a period of one year, the funds will escheat to the State.

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### 2.2.1 REVIEW PROCESS

When checks become stale dated, the Staff Accountant shall generate a report detailing the payee information. This report is provided to the Human Resources Department for review.

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### 2.2.2 DUE DILIGENCE LETTERS

After the review is complete, the Human Resources Department shall generate due diligence letters and mail them not less than six months nor more than 12 months before the checks become reportable. The letter shall contain the payee's name and address on record, check number, date of check, description if available, and a 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 re-issuance.

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### 2.2.3 REPLACEMENT PAYROLL CHECKS

If the payee signs and returns the letter to certify that the payroll check was never received or was lost, the check shall be replaced. The replacement check will be charged to the liability account to which the stale dated check had been accrued. 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 funds shall be held by ASI until turned over to the state in accordance with escheatment laws.

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## 2.3 CREDIT BALANCES

Customer credit balances on the Accounts Receivable subsidiary ledger shall be analyzed on a quarterly basis to determine the underlying cause. The Accounts Receivable Technician will review this analysis with the Controller and attempt to clear the credit balances accordingly, either through customer refunds or offsetting debit memos where warranted (i.e. errors in billing). Credit balances that remain on the accounts receivable ageing report after 180 days shall be considered stale dated. Stale dated credit balances shall be voided and removed from the outstanding list. A Journal Entry shall be prepared to transfer the funds to a liability account. If unclaimed after a period of three years, the funds will escheat to the State.

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### 2.3.1 REVIEW PROCESS

When credit balances become stale dated, the Accounts Receivable staff shall generate a report detailing the payee information. This report shall be provided to the Controller for review. The Accounts Receivable staff shall verify that the customer does not owe money elsewhere to ASI, and if the customer does, provide descriptive information as needed to apply the account balance to offset the outstanding debt

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### 2.3.2 DUE DILIGENCE LETTERS

After the review is complete, the Accounts Receivable staff shall generate due diligence letters to customers and mail them not less than six months nor more than 12 months before the balances become reportable. The letter shall contain the payee's name and address on record, credit amount, date of credit, description if available, and a contact person for related questions. The letter shall also contain a section for the payee to request issuance of a check to refund the credit balance.

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### 2.3.3 REFUND CHECKS

If the payee signs and returns the letter, a check shall be issued in the amount of the credit balance. The check will be charged to the liability account to which the credit balance had been accrued. The associated customer 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 funds shall be held by ASI until turned over to the state in accordance with escheatment laws.

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## 3.0 RECORDS

The ASI Business Office will keep records pertaining to escheated funds or property for seven (7) years after such funds or property is reported to the State Controller, pursuant to California Administrative Code Title 2 – Subchapter 8 §1174.

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## 4.0 ANNUAL REPORT TO THE BOARD OF CONTROL

At the first Board of Control meeting that occurs after the November 1<sup>st</sup> reporting deadline, the Director of Administrative Services will present a report on what, if anything was escheated to the State under this policy. This report shall also include the results of quarterly searches for outstanding property owed to ASI or any of its departments or programs.

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## 5.0 REVIEW

Barring any significant changes in California law with regard to escheatment, this Escheatment Policy will remain in effect without Board review. Business Office staff, however, will review this policy at least annually to ensure its

appropriateness. Any proposed amendments or variations of this policy would require a majority approval by the Board of Directors.

**FORMS**

The following forms are to be used in the execution of this policy.

<b>Form Name</b>	<b>Purpose</b>	<b>Responsible Office</b>	<b>Approved By</b>	<b>Timeline for Submission</b>
<b>Due Diligence Letter</b>	To notify payees, customers, and account holders of unclaimed property held by the A.S. Business Office that is subject to transfer to the State Controller’s Office under state escheatment law.	A.S. Business Office	Director, ASI Administrative Services	Letters must be sent no later than six months before the property becomes reportable on November 1.
<b>Journal Entry</b>	To record the transfer of outstanding staledated checks to the proper liability account in preparation for possible escheatment to the State Controller’s Office	A.S. Business Office	Director, ASI Administrative Services or Accounting Manager	Within thirty days of the date on which a check remains uncashed for a period of six months