



NORTHEAST UNCLAIMED PROPERTY COMPLIANCE & ENFORCEMENT UPDATE

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With you today



MICHAEL KENEHAN

State and Local Tax
Managing Director

NE Unclaimed Property
Practice Leader



NICK BOEGEL

State and Local Tax
Managing Director

Midwest Unclaimed Property
Practice Leader

With you today



JENNIFER BROWN

New York
Assistant Director,
Compliance Services



ROBERT DAVIDSON

Chief of Operations State of New Jersey,
Department of Treasury,
Unclaimed Property Administration



Agenda & Opening Comments



Agenda

- ▶ Unclaimed Property Overview
- ▶ Exposure Quantification
- ▶ Deconstructing Estimation
- ▶ State Updates
 - Pennsylvania (BDO)
 - New York (Jennifer Brown)
 - New Jersey (Robert Davidson)
 - Delaware (BDO)



Unclaimed Property Overview

Unclaimed Property Types

Generally, intangible personal property for which there has been no owner activity for a specified period of time (“dormancy period”).

- ▶ All 50 states and the District of Columbia have enacted unclaimed property laws.
- ▶ The purpose of unclaimed property laws is to ensure the protection of abandoned property until the rightful owner is located. Moreover, states use any derivative funds earned on such property for the public good.

State	Wages (years)	A/R Credits (years)	Third Party Dividends (years)	Gift Cards (years)	A/P Checks (years)	All other property (years)	B2B	Amnesty /VDA Program
DE	5	5	5	5	5	5	No	Yes
NJ	1	3	3	5	3	3	No	Yes
NY	3	3	3	5	3	3	No	Yes
PA	2	3	3	3	3	3	No	Yes

Unclaimed Property Types

Common examples of unclaimed property include the following:

- ▶ Uncashed/voided payroll or commission checks
- ▶ Uncashed/voided accounts payable/vendor checks
- ▶ Gift certificates/gift cards
- ▶ Customer merchandise credits, layaways, deposits, refunds or rebates
- ▶ Accounts receivable credits, unapplied cash, or unidentified remittances
- ▶ Credits written off to income or bad debt expense accounts
- ▶ Contractual Allowances credits
- ▶ Uncashed royalty disbursements and royalties held in suspense
- ▶ Stocks and uncashed dividends
- ▶ Uncashed benefits or insurance payments (non-ERISA)

Priority Rules

The U.S. Supreme Court in *Texas v. New Jersey*, established the following unclaimed property jurisdictional priority rules:

- ▶ First, to the state of the rightful *owner's last known address*, if known, or
- ▶ Second, to the state of the *holder's corporate domicile* (i.e., the state of incorporation for incorporated entities and state of formation/principal place of business for unincorporated entities).
 - State of Inc. will claim property addressed in that state in addition to foreign, unknown, and possibly insufficient addressed property.
 - State of Inc. may also perform an estimation of unclaimed property for periods where complete records are not available



Exposure Quantification



Extrapolation

- ▶ Many states use extrapolation techniques to establish a historic liability, at times dating back to original date of incorporation, in the event all records requested are not available and/or complete.

- ▶ The determination of whether or not to extrapolate may depend on factors such as:
 - Historical unclaimed property reporting practices
 - Filing history
 - Materiality of errors found for periods where records were reviewed
 - Record availability and reliability by property type

Exposure Quantification:

ACCOUNTS PAYABLE EXTRAPOLATION EXAMPLE CALCULATION

$$\frac{\text{Accounts Payable O/S Checks \& Voided Checks - 2014}}{\text{Federal 1120 Sales - 2014}} = \% \times \text{Federal 1120 Sales (prior years)}$$

Exposure Quantification:

ACCOUNTS RECEIVABLE

- ▶ If all sales are on account, the following extrapolation can be used:

Unremediated Net Credits¹ –

$$\frac{12/31/2004}{\text{Sales - } 12/31/2004} = \% \times \text{Sales (prior years)}$$

- ▶ Holder should review credits written off (e.g. to miscellaneous income/expense account) to any amounts of bad debt as this is a viable position to offset net credits that is often overlooked.

¹In many cases the net credits were written off to miscellaneous income, allowance for doubtful accounts, or bad debt expense and documentation to prove it is not escheatable is unavailable.

Exposure Quantification

Base Period	Total Unclaimed Property Liability (ALL STATES) for Base Period (a)	=	Escheat Percentage (c) (Unclaimed Property Liability(a)/Total Sales (b))
	Total Sales (1120) for Base Period (b)		
Projection Years	Escheat Percentage(c) * Total Sales in Non-Base Period(d)	=	Total Projected Liability(e)
	Total Projected Liability(e) + Address Property(f)	=	Total Liability Owed (Projection and Address)



Deconstructing Estimation



Understanding Estimation

- ▶ Why is this a concern?
- ▶ How can states do this?
- ▶ What is the basis for estimation?
- ▶ How is liability calculated?
- ▶ Why is this relevant?
- ▶ What are current trends and future expectations?
- ▶ What can I do?

Understanding Estimation

- ▶ How is liability calculated in the absence of records?
 - In the absence of complete and researchable records estimation is typically done to establish the historic liability.
 - The average unclaimed property reach-back is 13-15 years.
 - Only your state of incorporation/formation can perform estimation.
 - DE, NY, CA, PA, NJ, TX, Etc.

- ▶ What goes into an unclaimed property estimation (Gross)?
 - Identified liability (all states) **Consistent**
 - Unclaimed property filings (all states) **Consistent**
 - + Increases liability when introduced in base years
 - (-) Decreases liability when introduced outside of base years
 - Funds returned and/or return to rightful owner
 - Surrogate (commonly revenue/sales, PR expense, COGS, etc.) for all states/jurisdictions. ***Some discretion on surrogate used.***

Understanding Estimation

What is the impact of filing unclaimed property in the base years?

- ▶ In this example, the company had a consistent filing history for years 2012-2016; approximately \$600,000
- ▶ Filings in the base years = increased estimation

Year	Company Sales	Total Unremiated Unclaimed Property - All States (a)	Total Property Escheated (b)	Total Liability for Estimation (a+b)	Extrapolated Liability Sourced to Delaware	Total Assessment
2016	\$ 750,000,000.00	\$ 8,000.00	\$ 100,000.00	\$ 108,000.00	Use Actual Data	\$ 8,000.00
2015	\$ 700,000,000.00	\$ 2,000.00	\$ 125,000.00	\$ 127,000.00		\$ 2,000.00
2014	\$ 680,000,000.00	\$ 11,000.00	\$ 110,000.00	\$ 121,000.00		\$ 11,000.00
2013	\$ 675,000,000.00	\$ 4,000.00	\$ 90,000.00	\$ 94,000.00		\$ 4,000.00
2012	\$ 665,000,000.00	\$ 2,300.00	\$ 130,000.00	\$ 132,300.00		\$ 2,300.00
2011	\$ 550,000,000.00	Documents Unavailable	Documents Unavailable	Documents Unavailable - No Filings	\$ 92,295.39	\$ 92,295.39
2010	\$ 625,000,000.00				\$ 104,881.12	\$ 104,881.12
2009	\$ 600,000,000.00				\$ 100,685.88	\$ 100,685.88
2008	\$ 550,000,000.00				\$ 92,295.39	\$ 92,295.39
2007	\$ 540,000,000.00				\$ 90,617.29	\$ 90,617.29
2006	\$ 525,000,000.00				\$ 88,100.14	\$ 88,100.14
2005	\$ 510,000,000.00				\$ 85,583.00	\$ 85,583.00
2004	\$ 495,000,000.00				\$ 83,065.85	\$ 83,065.85
2003	\$ 475,000,000.00				\$ 79,709.65	\$ 79,709.65
2002	\$ 460,000,000.00				\$ 77,192.51	\$ 77,192.51
Actuals	\$ 8,800,000,000.00	\$ 27,300.00	\$ 555,000.00	\$ 582,300.00	\$ 894,426.22	\$ 921,726.22
<u>Error Rate</u>		0.02%				
<u>Application of Penalties and Interest</u>						465,863
<u>Total Delaware Assessment</u>						<u>1,387,589</u>

Understanding Estimation

What is the impact of filing unclaimed property in/out of the base years?

- ▶ In this example, the company had a consistent filing history for years 2007-2016; approximately \$600,000 in base and \$250,000 outside base year
- ▶ Filings outside the base years = decreased estimation

Year	Company Sales	Total Unremediated Unclaimed Property - All States (a)	Total Property Escheated (b)	Total Liability for Estimation (a+b)	Extrapolated Liability Sourced to Delaware	Total Assessment
2016	\$ 750,000,000.00	\$ 8,000.00	\$ 100,000.00	\$ 108,000.00	Use Actual Data	\$ 8,000.00
2015	\$ 700,000,000.00	\$ 2,000.00	\$ 125,000.00	\$ 127,000.00		\$ 2,000.00
2014	\$ 680,000,000.00	\$ 11,000.00	\$ 110,000.00	\$ 121,000.00		\$ 11,000.00
2013	\$ 675,000,000.00	\$ 4,000.00	\$ 90,000.00	\$ 94,000.00		\$ 4,000.00
2012	\$ 665,000,000.00	\$ 2,300.00	\$ 130,000.00	\$ 132,300.00		\$ 2,300.00
2011	\$ 550,000,000.00	Documents Unavailable	Documents Unavailable	\$ (55,000.00)	\$ 37,295.39	\$ 37,295.39
2010	\$ 625,000,000.00			\$ (35,000.00)	\$ 69,881.12	\$ 69,881.12
2009	\$ 600,000,000.00			\$ (89,000.00)	\$ 11,685.88	\$ 11,685.88
2008	\$ 550,000,000.00			\$ (67,000.00)	\$ 25,295.39	\$ 25,295.39
2007	\$ 540,000,000.00			\$ (10,000.00)	\$ 80,617.29	\$ 80,617.29
2006	\$ 525,000,000.00				\$ 88,100.14	\$ 88,100.14
2005	\$ 510,000,000.00				\$ 85,583.00	\$ 85,583.00
2004	\$ 495,000,000.00				\$ 83,065.85	\$ 83,065.85
2003	\$ 475,000,000.00				\$ 79,709.65	\$ 79,709.65
2002	\$ 460,000,000.00				\$ 77,192.51	\$ 77,192.51
Actuals	\$ 8,800,000,000.00	\$ 27,300.00	\$ 555,000.00	\$ 582,300.00	\$ 638,426.22	\$ 665,726.22
<u>Error Rate</u>		0.02%				
<u>Application of Penalties and Interest</u>						337,863
<u>Total Delaware Assessment</u>						1,003,589

Understanding Estimation

- ▶ Do we understand the “projection factor” and is this considered in decision making?
 - Understanding estimation, what is the dollar impact of proving transactions are not owed?
 - Example - \$500.00 turns into \$2,500 with estimation - “5 times projection factor”
 - Example - \$500.00 turns into \$100.00 with estimation - “.20 times projection factor”
 - Critical element needed for:
 - Internal decision making
 - Profiling of transactions for testing
 - Resources needed
 - Timing
 - Potential liability
 - Etc.

Understanding Estimation

- ▶ Do we understand the “projection factor” and is this considered in decision making?
 - In this example, every dollar of liability identified in the base period equates to \$1.53 with estimation

Year	Sales/Surrogate	Totals	Projection Factor (b/a)
2016	\$ 750,000,000.00	\$ 3,470,000,000.00	a. \$5.3B/\$3.47B
2015	\$ 700,000,000.00		
2014	\$ 680,000,000.00		
2013	\$ 675,000,000.00		
2012	\$ 665,000,000.00		
2011	\$ 550,000,000.00	\$ 5,330,000,000.00	b. 1.536023055
2010	\$ 625,000,000.00		
2009	\$ 600,000,000.00		
2008	\$ 550,000,000.00		
2007	\$ 540,000,000.00		
2006	\$ 525,000,000.00		
2005	\$ 510,000,000.00		
2004	\$ 495,000,000.00		
2003	\$ 475,000,000.00		
2002	\$ 460,000,000.00		

Shaded area (years - 2012-2016) represent period of time where records exist and were tested (i.e. base years)

Rising Sales = Decreased Estimation

Understanding Estimation

- ▶ Do we understand the “projection factor” and is this considered in decision making?
 - In this example, every dollar of liability identified in the base period equates to \$2.56 with estimation

Year	Sales/Surrogate	Totals	Projection Factor (b/a)
2016	\$ 460,000,000.00	\$ 2,465,000,000.00	a. \$6.3B/\$2.46B
2015	\$ 475,000,000.00		
2014	\$ 495,000,000.00		
2013	\$ 510,000,000.00		
2012	\$ 525,000,000.00		
2011	\$ 540,000,000.00	\$ 6,335,000,000.00	b. <u>2.569979716</u>
2010	\$ 550,000,000.00		
2009	\$ 600,000,000.00		
2008	\$ 625,000,000.00		
2007	\$ 550,000,000.00		
2006	\$ 665,000,000.00		
2005	\$ 675,000,000.00		
2004	\$ 680,000,000.00		
2003	\$ 700,000,000.00		
2002	\$ 750,000,000.00		

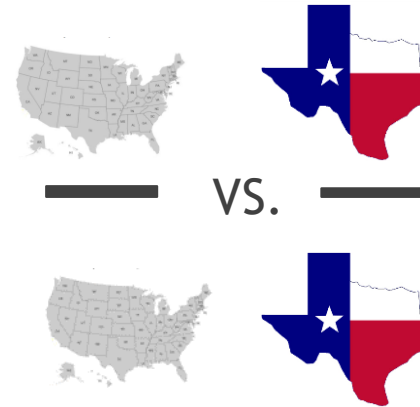
Shaded area (years - 2012-2016) represent period of time where records exist and were tested (i.e. base years)

Declining Sales = Increased Estimation

Understanding Estimation

▶ Difference between “Net” vs “Gross” estimation

- Net = Total Liability/Total Sales
Applied to Total Sales
- Gross = State Liability/State or Total Sales
Applied to Total or State Sales (consistency)



- ▶ What is better? Would you rather pay fifty states estimation or one?
- ▶ Is this the current trend?
- ▶ What will the future hold?

Understanding Estimation

EXAMPLE OF “GROSS” ESTIMATION

Year	Company Sales	Total Unremdiated Unclaimed Property - All States	Unremdiated Unclaimed Property w/ Delaware Address	Extrapolated Liability Sourced to Delaware	Total Delaware Assessment
2016	\$ 750,000,000.00	\$ 250,000.00	\$ 12,500.00	Use Actual Data	\$ 12,500.00
2015	\$ 700,000,000.00	\$ 650,000.00	\$ 5,500.00		\$ 5,500.00
2014	\$ 680,000,000.00	\$ 320,000.00	\$ 11,200.00		\$ 11,200.00
2013	\$ 675,000,000.00	\$ 90,000.00	\$ 8,300.00		\$ 8,300.00
2012	\$ 665,000,000.00	\$ 110,000.00	\$ 4,500.00		\$ 4,500.00
2011	\$ 550,000,000.00	Documents Unavailable	Documents Unavailable	\$ 225,072.00	\$ 225,072.00
2010	\$ 625,000,000.00			\$ 255,764.00	\$ 255,764.00
2009	\$ 600,000,000.00			\$ 245,533.00	\$ 245,533.00
2008	\$ 550,000,000.00			\$ 225,072.00	\$ 225,072.00
2007	\$ 540,000,000.00			\$ 220,980.00	\$ 220,980.00
2006	\$ 525,000,000.00			\$ 214,841.00	\$ 214,841.00
2005	\$ 510,000,000.00			\$ 208,703.00	\$ 208,703.00
2004	\$ 495,000,000.00			\$ 202,565.00	\$ 202,565.00
2003	\$ 475,000,000.00			\$ 194,380.00	\$ 194,380.00
2002	\$ 460,000,000.00			\$ 188,242.00	\$ 188,242.00
<u>Actuals</u>	\$ 8,800,000,000.00	\$ 1,420,000.00	\$ 42,000.00	\$ 2,181,152.00	\$ 2,223,152.00
<u>Error Rate</u>		0.04%			
<u>Application of Penalties and Interest</u>					1,116,576
<u>Total Delaware Assessment</u>					<u>3,339,728</u>

Understanding Estimation

EXAMPLE OF “NET” ESTIMATION

Year	Company Sales	Total Unremdiated Unclaimed Property - All States	Unremdiated Unclaimed Property w/ Delaware Address	Extrapolated Liability Sourced to Delaware	Total Delaware Assessment
2016	\$ 750,000,000.00	\$ 250,000.00	\$ 12,500.00	Use Actual Data	\$ 12,500.00
2015	\$ 700,000,000.00	\$ 650,000.00	\$ 5,500.00		\$ 5,500.00
2014	\$ 680,000,000.00	\$ 320,000.00	\$ 11,200.00		\$ 11,200.00
2013	\$ 675,000,000.00	\$ 90,000.00	\$ 8,300.00		\$ 8,300.00
2012	\$ 665,000,000.00	\$ 110,000.00	\$ 4,500.00		\$ 4,500.00
2011	\$ 550,000,000.00	Documents Unavailable	Documents Unavailable	\$ 6,657.06	\$ 6,657.06
2010	\$ 625,000,000.00			\$ 7,564.84	\$ 7,564.84
2009	\$ 600,000,000.00			\$ 7,262.25	\$ 7,262.25
2008	\$ 550,000,000.00			\$ 6,657.06	\$ 6,657.06
2007	\$ 540,000,000.00			\$ 6,536.02	\$ 6,536.02
2006	\$ 525,000,000.00			\$ 6,354.47	\$ 6,354.47
2005	\$ 510,000,000.00			\$ 6,172.91	\$ 6,172.91
2004	\$ 495,000,000.00			\$ 5,991.35	\$ 5,991.35
2003	\$ 475,000,000.00			\$ 5,749.28	\$ 5,749.28
2002	\$ 460,000,000.00			\$ 5,567.72	\$ 5,567.72
Actuals	\$ 8,800,000,000.00	\$ 1,420,000.00	\$ 42,000.00	\$ 64,512.97	\$ 106,512.97
<u>Error Rate</u>		<u>0.00121%</u>			
<u>Application of Penalties and Interest</u>					58,256
<u>Total Delaware Assessment</u>					<u>164,769</u>



State Updates

State Updates - Pennsylvania

State	Dormancy Range	Audit Reach Back	Formal VDA Program	VDA Reach Back	Exemptions	Notes
Pennsylvania	2 -3 years	15 Years + Dormancy	Yes	10 Years + Dormancy	Yes	If the gift certificate does not include an expiration date and no fees are charged, it is deemed a qualified gift certificate and escheatment does not apply.

► Discussion Points

- Amnesty Programs
- Compliance Reporting
- Audit Profile
- Current Landscape

State Updates - Pennsylvania Voluntary Disclosure Agreement (VDA)

Prerequisites/Overview

- ▶ Voluntary program/holder comes forward to report passed due property.
- ▶ Holder is not under audit, or self-audit, by PA Treasury.
- ▶ Holder has not been granted voluntary compliance and/or participated in amnesty program within the last 10 years.
- ▶ Must report/disclose all property.
- ▶ Must complete within 90 days (extensions granted).
- ▶ 10 year lookback (plus dormancy).
- ▶ Gross Estimation

State Updates - Pennsylvania Voluntary Disclosure Agreement (VDA)

Benefits

- ▶ Waive all applicable penalties and interest, as permitted under § 1301.24 and 1301.25 (*12% from report date*).
- ▶ Self review of books and records.
- ▶ Relieve the holder of liability from claims on the property upon payment and delivery of the property according to § 1301.14.
- ▶ State will not audit you once enrolled in VDA.
- ▶ More favorable testing methodologies (void waiver, etc.).

State Updates - Pennsylvania Compliance Reporting

Pennsylvania

State Reporting Dates

April 15th

Criteria for Reporting

9 or Less - Paper allowed
10 or more - Online or CD

Due Diligence Letter Expectations

\$50 or greater
Mailed between 60 and 120 days prior to
report due date

Business-to-Business Exemption

None

Deminimus Exemption

None

Gift Card Exemption

If the gift certificate does not include an
expiration date and no fees are charged, it
is deemed a qualified gift certificate and
escheatment does not apply.

State Updates - Pennsylvania Audit Profile & Landscape

Audit Profile

- ▶ Routinely participates on other state mandated examinations.
- ▶ Uses third party auditing firms like (Discovery Audit Services) to complete examinations.
- ▶ Recently hired Verus Analytics to help implement micro-audits.
 - Smaller companies
 - Decreased timeframe
 - Large quantity
 - Desk audits
- ▶ Uses 30 day void waiver.
- ▶ Gross estimation.

What to expect

- ▶ Likely increased audit activity for larger and smaller companies.
- ▶ Follow trends from other states (i.e. Delaware).
- ▶ Continue to drive compliance reporting.
- ▶ State solicitation and reach-out letters.
- ▶ Investments in technology and audit detection.

State Updates - New York

State	Dormancy Range	Audit Reach Back	Formal VDA Program	VDA Reach Back	Exemptions	Notes
New York	3-5 years	10 plus dormancy	Yes	10 plus dormancy	No	Recent change on VDA reach back vs. Audit

Introduction

- ▶ Jennifer Brown

Discussion Points

- ▶ Amnesty Programs
- ▶ Compliance Reporting
- ▶ Audit Profile
- ▶ Current Landscape

State Updates - New York Voluntary Compliance Agreement

Prerequisites/Overview

- ▶ More formal program generally reserved for larger companies or holders with material past due liabilities owed.
- ▶ The Company has not been contacted for audit by the OUF “Office of Unclaimed Funds” or a third party acting on behalf of the OUF.
- ▶ The Company has not previously (10 years) completed a voluntary compliance agreement with NY.
- ▶ 10 year look-back plus dormancy.
- ▶ Six months to complete (with extension request).
- ▶ Gross estimation (earliest base year).

Benefits

- ▶ Waiver of interest and penalty.
- ▶ Payment by the Company to the OUF under any resulting Abandoned Property Report shall be in full satisfaction of all obligations imposed by the APL.
- ▶ Section 1404 of the APL, shall relieve and hold the Company harmless, to the extent of the amount paid, from any and all liability for any claims related to such unclaimed property.
- ▶ Self review of books and records (NY oversight).
- ▶ More favorable testing methodologies.

State Updates - New York Voluntary Compliance Program

Prerequisites/Overview

- ▶ Less formal program generally reserved for smaller companies or holders with immaterial past due liabilities owed.
- ▶ The Company has not been contacted for audit by the OUF “Office of Unclaimed Funds” or a third party acting on behalf of the OUF.
- ▶ 10 year look-back plus dormancy.
- ▶ Six months to complete (with extension request).
- ▶ Gross estimation when needed.
- ▶ Similar to a compliance submission and not a VDA.

Benefits

- ▶ Waiver of interest and penalty.
- ▶ Self review of books and records (Minimal NY oversight).
- ▶ If material liability - likely pushed to VCA.

State Updates - New York Compliance Reporting

New York	
State Reporting Dates	March 10 th
Criteria for Reporting	25 or Less - Paper allowed 10 or more - Online or CD
Due Diligence Letter Expectations	All amounts Mailed between 90 and 180 days prior to report due date, items over \$1,000 require a second letter be sent certified mail, return receipt not less than 60 days prior to report due date
Business-to-Business Exemption	None
Deminimus Exemption	None
Gift Card Exemption	None

State Updates - New York Audit Profile & Landscape

Audit Profile

- ▶ Recently changed audit look-back from 1992 - ten years plus dormancy.
- ▶ Generally audits are kept in-house by NY agency.
- ▶ In some instances utilize outside audit firm to help.
- ▶ Gross estimation (earliest base year).

What to expect

- ▶ State reach-out letters (automatically sent after companies file as reminders).
- ▶ State solicitation for VCA/VCP (companies can also request on proactive basis).
- ▶ Expectation of annual compliance paid/submitted.

State Updates - New Jersey

State	Dormancy Range	Audit Reach Back	Formal VDA Program	VDA Reach Back	Exemptions	Notes
New Jersey	3-5 years	15 Years + Dormancy	Yes	10 Years + Dormancy	No	

▶ Introductions

- Robert Davidson

▶ Discussion Points

- Amnesty Programs
- Compliance Reporting
- Audit Profile
- Current Landscape

State Updates - New Jersey Voluntary Disclosure Agreement (VDA)

Prerequisites/Overview

- ▶ Voluntary program/holder comes forward to report past due property.
- ▶ Holder is not under audit by NJ or third party affiliate.
- ▶ Must report/disclose all property.
- ▶ Must complete within six month (extensions granted).
- ▶ 10 year lookback (plus dormancy)
- ▶ Mandatory interest of 1.38%.
- ▶ Gross estimation.
- ▶ State review process.

Benefits

- ▶ Abatement all applicable penalties.
 - Reduced interest
- ▶ Self review of books and records.
- ▶ Indemnification of holder for claims against property paid or delivered.
- ▶ More favorable testing methodologies (void waiver, etc.).
- ▶ Reduced lookback (audit is 15 plus dormancy).

State Updates - New Jersey Compliance Reporting

New Jersey

State Reporting Dates	November 1 st
Criteria for Reporting	Online filing required regardless of the # of properties to be reported
Due Diligence Letter Expectations	\$50 or greater Mailed between 60 and 120 days prior to report due date
Business-to-Business Exemption	None
Deminimus Exemption	None
Gift Card Exemption	Gift cards issued prior to 7/1/2010 are exempt, gift cards issued after are 40% exempt

State Updates - New Jersey Audit Profile & Landscape

Audit Profile

- ▶ Routinely participates on other state mandated examinations.
- ▶ Uses third party auditing firms to complete examinations.
- ▶ Uses 90 day void waiver (NJ internal audit group); 30 day void waiver (outsourced audit).
- ▶ Gross estimation.
- ▶ 15 years plus dormancy.

What to expect

- ▶ Likely increased audit activity for larger and smaller companies.
- ▶ Follow trends from other states (i.e. Delaware).
- ▶ Continue to drive compliance reporting.

State Updates - Delaware

State	Dormancy Range	Audit Reach Back	Formal VDA Program	VDA Reach Back	Exemptions	Notes
Delaware	5 years	10 years + Dormancy	Yes	10 Years + Dormancy	Yes	COGS Partial Deduction on Gift Cards

► Discussion Points

- Amnesty Programs
- Compliance Reporting
- Audit Profile
- Current Landscape

State Updates - Delaware Voluntary Disclosure Agreement (VDA)

Prerequisites/Overview

- ▶ Voluntary program/holder comes forward to report past due property.
- ▶ DE 60 day letter.
- ▶ Holder is not under audit by DE or third party affiliate.
- ▶ Must report/disclose all property.
- ▶ Must complete within two years (extensions granted).
- ▶ 10 year lookback (plus dormancy).
- ▶ Gross estimation.
- ▶ State review process - (TL2Q and DBR)

Benefits

- ▶ Abatement all applicable penalties and interest.
- ▶ Self review of books and records.
- ▶ Indemnification of holder for claims against property paid or delivered.
- ▶ More favorable testing methodologies (void waiver, etc.).
- ▶ Avoids audit mandate from DE.

State Updates - Delaware Compliance Reporting

Delaware	
State Reporting Dates	March 1 st
Criteria for Reporting	Online filing required regardless of the # of properties to be reported
Due Diligence Letter Expectations	\$50 or greater Mailed between 60 and 120 days prior to report due date
Business-to-Business Exemption	None
Deminimus Exemption	None
Gift Card Exemption	COGS Partial Deduction on Gift Cards
Oversight/state influence	Delaware now has an annual compliance review program

State Updates - Delaware Audit Profile & Landscape

Audit Profile

- ▶ Routinely mandates examinations.
 - Quarterly audit & solicitation letters
- ▶ Uses third party auditing firms to complete examinations.
- ▶ Uses 30 day void waiver (outsourced audit).
- ▶ Gross estimation.
- ▶ 10 years plus dormancy.
- ▶ Interest and penalty

What to expect

- ▶ Increased audit activity for larger and smaller companies.
- ▶ Continue to drive compliance reporting.
- ▶ Routine issuance of reach-out letters



Thank you!



Bios

Biography

Michael Kenehan, CPA, MBA



Mkenehan@bdo.com
Direct: 215-636-5563
Mobile: 570-357-1648

1801 Market Street
17th Floor
Philadelphia, PA 19103

Tel: 215-564-1900
www.bdo.com

Michael has more than 15 years of combined experience in abandoned and unclaimed property (AUP) and internal audit related matters. He possesses vast experience in handling large unclaimed property audit engagements for the nation's largest contract AUP firm in a variety of industries including healthcare, retail, manufacturing/distribution, oil and gas, entertainment, food and beverage, automobile, and hospitality. Mike leverages his extensive knowledge of the audit process, property types, and the rules and regulations associated with AUP to assist clients in mitigating exposure and proactively addressing its escheat issues.

Michael is the Northeast Practice Leader for BDO's unclaimed property group based out of the Philadelphia office. He specializes in audit defense, escheat planning, general consulting, mitigation strategies and voluntary disclosure agreements (VDA), etc. In addition to being the NE Practice Leader Michael also heads up BDO's gift card escheatment practice nationally and does a lot of work within the restaurant/retail space. Michael has established professional relationships with many state unclaimed property administrators and offers clients with a unique perspective in dealing with all unclaimed property related matters.

Michael is an avid speaker in the unclaimed property community and regularly presents at tax/accounting functions across all industries.

Prior to joining BDO, Michael worked with Kelmar Associates, LLC as a Senior Audit Manager in charge of unclaimed property audits contracted on behalf of various states. Michael also worked as a Team Leader in internal audit for ABC Supply Company.

EDUCATION

M.B.A., Finance & Real-estate, Villanova
B.S., Accounting, University of Pittsburgh

Biography

Nick Boegel, CPA, MBA, JD



nboegel@bdo.com
Direct: 414-615-6773
Mobile: 262-391-8091

330 E. Kilbourn Ave.
Suite 750 Two Plaza East
Milwaukee, WI 53202

Tel: 414-272-5900
www.bdo.com

Nick Boegel comes to BDO with 19 years of tax consulting experience. He has reviewed, researched and documented solutions for complex state and local tax issues in the areas of income and franchise, sales and use, payroll and employment, and property taxes and unclaimed property. He has expertise in identifying and serving multi-state client needs and performing creative tax reviews to quantify potential savings via process improvements and prospective corporate restructuring projects for clients in the manufacturing, financial services, high tech and service industries.

As the firm's Midwest Unclaimed Property Practice Leader, Nick has established professional relationships with many of the state unclaimed property administrators in handling client matters, and has successfully negotiated voluntary disclosure agreements on behalf of clients and provided audit representation services. In addition, Nick has significant escheat planning experience.

Prior to joining the firm, Nick worked with PriceWaterhouseCoopers, Arthur Andersen, Deloitte, and Reinhart Consulting providing state and local tax compliance, consulting and planning services for public and private companies.

EDUCATION

J.D., Indiana University

M.B.A., Finance, Indiana University

B.S.B.A., Accounting and Finance, Boston University School of Management

Jennifer Brown

Assistant Director, Compliance Services - New York



jlbrown@osc.ny.gov
Direct: 518-474-7440

Jennifer supervises the Reports Processing and Voluntary Compliance Units, is involved in website and Handbook updates, and holder education. Her goal is to assist with creating correct reports in a timely manner. In addition, she tracks the bureau's budget and applicable legislation, and works with the National Association of Unclaimed Property Administrators (NAUPA).

Jennifer started with OSC in 2002 and has spent her entire state career working with companies that report unclaimed funds to the state.

EDUCATION

Master of Business Administration (MBA)

Bachelor of Science (BS) in Accounting

Robert H. Davidson

Chief Of Operations, State Of New Jersey, Department Of The Treasury, Unclaimed Property Administration



Robert.Davidson@treas.state.nj.us
Direct: 609-633-8451

Department of the Treasury
Unclaimed Property Administration
PO Box 214
Trenton, NJ 08625-0214
www.unclaimedproperty.nj.gov

Bob has been an employee of the New Jersey Department of the Treasury for the past 39 years. He is currently the Chief of Operations for Unclaimed Property Administration. He has previously served in various capacities in the Department including as Supervising Auditor of the Unclaimed Property Audit Unit, as a Management Auditor in the General Ledger and Appropriation Reporting area of the Office of Management and Budget, and as an Auditor in the Internal Audit Unit of OMB.

Bob has been a member of the Audit Agenda Committee and has served on various panels at both the Annual and the Mid-Year Conferences of the National Association of Unclaimed Property Administrators. He has also given presentations before the New Jersey Bar Association (Tax Committee), the New Jersey Society of CPAs, the Institute for Professionals in Taxation, the National Association of Tax Professionals (New Jersey Chapter), the New Jersey Bankers Association, the New Jersey League of Community Bankers, various other Banking and Insurance Organizations, the Association of Independent Colleges and Universities in New Jersey, and Lorman Education Services.


EDUCATION

Bachelors degree in government from American University in Washington, D.C.

MBA in Accounting from Temple University

Certified Public Accountant

- ▶ Member of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants
- ▶ Member of the Trenton Chapter of the Association of Government Accountants



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