

A man and a woman in business attire are standing on the steps of a classical building with large columns. The man is on the left, wearing a dark suit and tie, holding a folder. The woman is on the right, wearing a dark suit, gesturing with her hands. The background shows the ornate architecture of the building, including large columns and a wooden door.

Unlocking the Key Takeaways of Delaware Verified Reports and Compliance Reviews

APRIL 22, 2025

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



HOLD SLIDE FOR L&D HOUSEKEEPING INFO

HOLD SLIDE FOR L&D HOUSEKEEPING INFO

HOLD SLIDE FOR L&D HOUSEKEEPING INFO

HOLD SLIDE FOR L&D HOUSEKEEPING INFO

Today's Learning Objectives



1

Describe general Delaware unclaimed property verified report and compliance review process

2

Recall the future implications of completing the Delaware verified report and compliance review process

3

Report on how to address best practices with the Delaware verified report and compliance review

With You Today



JOE CARR

Tax Principal,
State & Local Tax, National
Unclaimed Property Leader

312-616-3946
jcarr@bdo.com



RODNEY MICHNA

Tax Senior Manager,
State & Local Tax, Unclaimed
Property

414-615-6758
rmichna@bdo.com



JAMES MANN

Tax Senior Manager,
State & Local Tax, Unclaimed
Property

312-730-1274
jmann@bdo.com

Agenda

1 Unclaimed Property Compliance Overview

2 Delaware Verified Report Notice

3 Delaware Compliance Review

4 Unclaimed Property Policies & Procedures

Unclaimed Property

OVERVIEW



UNCLAIMED PROPERTY

General Information

- ▶ All **50 states** (and District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands) 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.
- ▶ States actively pursue unclaimed property as an **additional source of revenue** for the state, which avoids raising taxes.
- ▶ States' unclaimed property laws **apply to all entity types**, including:
 - Corporations
 - S corporations
 - Partnerships
 - Limited liability companies



WHAT ARE THE DIFFERENCES?

Unclaimed Property vs. Tax

Unclaimed
property is **not**
considered a tax



- ▶ Nexus does not apply
- ▶ No apportionment or allocation methods utilized
- ▶ Filing deadlines vary from state to state
- ▶ Statute of limitations
- ▶ Use of contract auditors (paid on a contingency fee)
- ▶ Records retention requirements

Intangible Personal Property for Which There Has Been No Owner Activity for a Specified Period of Time (“Dormancy Period”)

EXAMPLES OF UNCLAIMED PROPERTY



Uncashed or
Voided Payroll or
Commission Checks



Uncashed or
Voided Payable/
Vendor Checks



Gift
Certificates/
Gift Cards



Customer Merchandise
Credits, Layaways,
Deposits, Refunds or
Rebates



Overpayments/
Unidentified
Remittances



Suspense
Accounts



Unused/
Outstanding
Benefits (Non-ERISA)



Miscellaneous
Income/Bad Debt
Expense Accounts

INTRODUCTION

What is unclaimed property?

Unclaimed Property Overview

“DORMANCY PERIOD”

A statutorily prescribed period that begins from the date of creation of the property type (e.g., check issuance date) and ends after the passage of a certain number of years (typically 1-5 years). Property becomes presumed abandoned when it has remained unclaimed during the statutory dormancy period.

State	Wages (Years)	A/R Credit Balances (Years)	Third Party Dividends (Years)	Gift Cards (Years)	A/P Checks (Years)	All Other Property (Years)	B2B
DE	5	5	5	5	5	5	No
NY	3	3	3	5	3	3	No
CA	1	3	3	3	3	3	No
IL	1	3	3	3	3	3	No
PA	2	3	3	2	3	3	No
TX	1	3	3	3	3	3	Yes (Deferral)

UNCLAIMED PROPERTY INTRODUCTION

Where Do I Report Unclaimed Property?

- ▶ The Supreme Court of the United States in *Texas v. New Jersey* established the following unclaimed property sourcing rule
 - First, to the state of the rightful owner's last known address, if known, or
 - Second, to the state of the holder's incorporation (commercial domicile for unincorporated entities)
- ▶ Priority rules in *Texas v. New Jersey* were upheld in the subsequent cases *Pennsylvania v. New York* (escheat of money orders) and *Delaware v. New York* (unclaimed dividends and interest)



Escheat Compliance Process

Our escheat compliance process is designed to be efficient, effective, and flexible to meet our clients' organizational needs. We strive to go beyond routine compliance tasks to reported amounts defense, while maintaining a level of support for such filings that mitigate future audit risks.



STEP 1

Compilation of reportable transactions



STEP 2

Identification of exemptions/deductions



STEP 3

Due diligence notification letters



STEP 4

Reconciliation of amounts provided



STEP 5

Reporting and remitting funds to the various jurisdictions



STEP 6

Retain records to support escheat filings (e.g., void reports, A/R agings, bank recons o/s checklists, etc.)

Annual Compliance Process

WHAT'S THE POINT?

- ▶ Maintain compliance with state laws
- ▶ Reduce liability
- ▶ Protect your bottom line
- ▶ Reunite owner with assets; state's custody property until claimed by the owner
- ▶ Owners have a centralized place to claim monies owed to them

WHAT IF I'M NOT COMPLYING?

- ▶ Harsh implications if company ...
 - Does not report
 - Submits inconsistent/incomplete/incorrect reports
 - Reports late ... Risk of being audited and/or steep penalties and interest



Identifying, monitoring, reporting and complying with UP state requirements is an important function within your organization



KNOWLEDGE CHECK #1

Does your organization file unclaimed property returns including a Delaware report on an annual basis?

A

Yes

B

No

C

I would prefer not to say



Delaware Verified Report Notice



Delaware Verified Report

Delaware is seeking to confirm holders are complying with UP requirements. Review ends if holder opts into VDA program.

DELAWARE VERIFIED REPORTS

- ▶ Company's certification that most recent filing is complete or no property to report.
- ▶ Company to review UP process & correct errors or report excluded property.
- ▶ Confirm company has developed UP policies and procedures.
- ▶ Reviews are conducted by third-part audit firms. Not a formal examination.
- ▶ Opportunity for state to 'test' integrity & thoroughness of report process & identify gaps.
 1. **Notarized Verified Report** for the most recent filing year, signed by Company officer;
 2. **List of Legal Entities** included in the prior year's filing; and
 3. **UP compliance policies & procedures**, requests a copy of the document.

Delaware Verified Report

COMPLIANCE REVIEW

- ▶ Failure to provide a sufficient response, or holders who confirm there is no UP to report (negative report), may be referred for a compliance review

FURTHER ENFORCEMENT ACTIONS

- ▶ Failure to respond, providing insufficient response, or deficient finding may be escalated resulting in further enforcement action, including a notice of examination or voluntary disclosure program invitation.
- ▶ State escheator is not required to conduct a compliance review under this section before initiating an examination.
 - Means can audit after response to Verified report — see *Del Code Title 12 Sec. 1170*.

Delaware Verified Report

- ▶ The Delaware State Escheator began using third party auditors to conduct verified report reviews for the 2022 report year
- ▶ There are four auditing firms assisting in this review on behalf of the state. Kelmar, Discover Audit Services, Specialty Audit Services, and EECS
- ▶ ~1K Notices sent in November 2023
- ▶ ~2.5K Notices sent in August 2024
- ▶ Additional notices sent November 2024
- ▶ Companies that receive a notice have 30 days to respond
- ▶ Requested documentation to be provided within 180 days of the notice
 - Audits require extension request every 30 days



November 18, 2024

Re: Notice Requesting Verified Report for Report Year 2023

Dear

Pursuant to 12 Del. C. § 1170(a),

, has been selected by the Delaware State Escheator to complete an abandoned or unclaimed property Verified Report with the State of Delaware, Department of Finance, Office of Unclaimed Property (the "State"). On behalf of the State, Discovery Audit Services, LLC ("Discovery Audit Services") will conduct the abandoned or unclaimed property Verified Report Process of.

To complete the Verified Report Process with the State, please complete and return to Discovery Audit Services within thirty (30) days of this Notice the following enclosed documents and responses:

1. Verified Report for Report Year 2023 (Reporting Cycle of twelve months ending on December 31, 2023).
2. Attachment A – List of Legal Entities Included in the Verified Report for Report Year 2023.
3. A response regarding the abandoned or unclaimed property compliance policies and procedures in place. If yes, please attach a copy of the policies and procedures.

1. Please email the completed report to DASI1170@discoveryauditservicesllc.com or mail a copy of it to:

1
Attention: Cory Roberts
7515 Jefferson Hwy #244
Baton Rouge, LA 70806

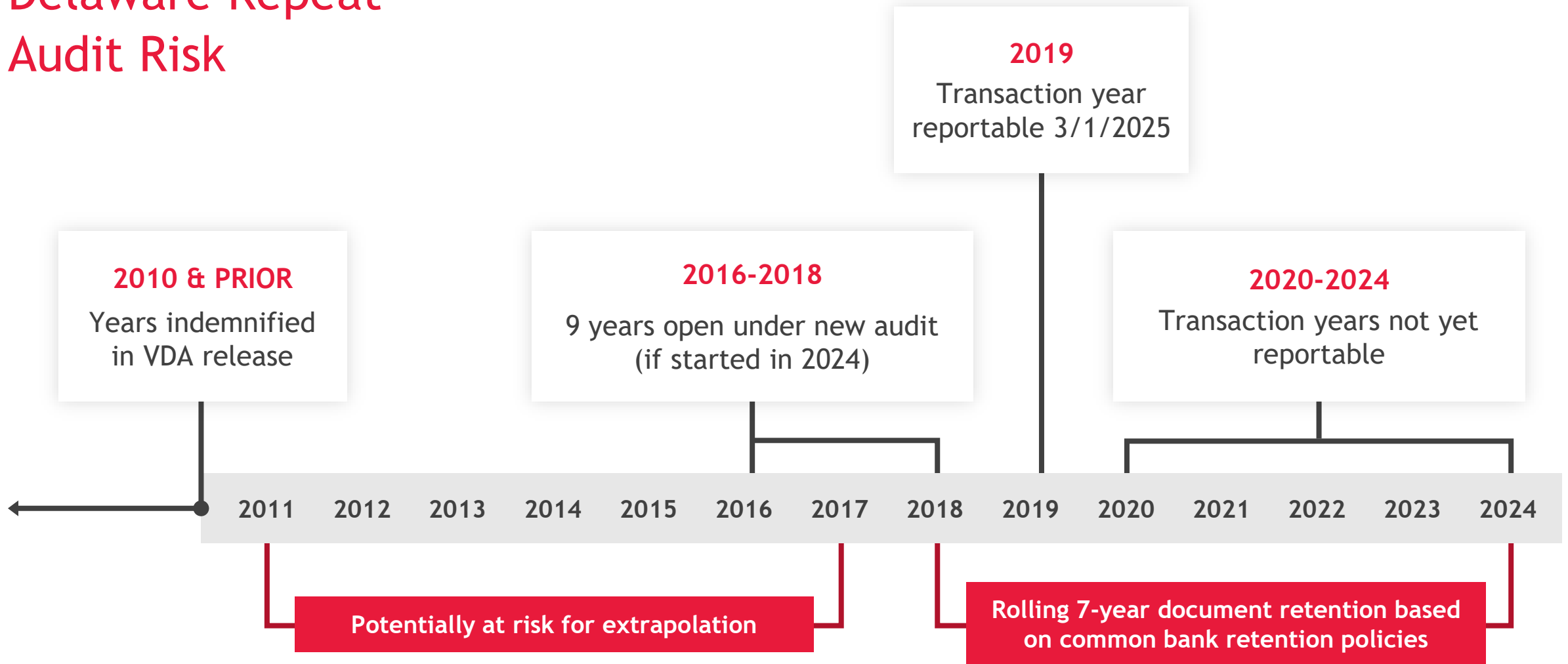
Upon request, you may receive the fillable forms of the Verified Report for Report Year 2023 and the Attachment A.

The annual Unclaimed Property Report for Report Year 2023 (Reporting Cycle of twelve months ending on December 31, 2023) was due on March 1, 2024 because the entity appears not to be a banking or an insurance company. See 12 Del. C. § 1144. The State accepts but does not require "negative" or \$0 reports. If no report was required for Report Year 2023, please confirm by returning the enclosed Verified Report.

The Verified Report for Report Year 2023 should be inclusive of all property presumed abandoned as of December 31, 2023 that may be subject to reporting pursuant to the Delaware Escheats Law, Title 12. Please note that this includes any property, including equity related property, reported on behalf of the holder by a transfer agent or other third party. Abandoned or unclaimed property is reported to the State of Delaware pursuant to the Escheats Law, as well as the priority rules and other provisions set forth in the United States Supreme Court case *Texas v. New Jersey*, 379 U.S. 674 and 380 U.S. 518 (1965), and reaffirmed by *Delaware v. New York*, 507 U.S. 490 (1993) and *Delaware v. Pennsylvania*, 143 S. Ct. 696 (2023).

Please be advised that the Verified Report Process is part of the State's 12 Del. C. § 1170. For more information if frequently asked questions, please go to <https://www.delaware.gov/app/compliance-program>. Failure to respond to this Notice or to provide the requested information as required by 12 Del. C. § 1170 may result in further enforcement action, including the issuance of a Notice of Examination per 12 Del. C. § 1172(d)(4), the assessment of interest and penalties, as well as other remedies available to the State under applicable law.

Delaware Repeat Audit Risk



Exposure Quantification

BASE PERIOD	Total Unclaimed Property Liability (ALL STATES) for Base Period (a)		=	Escheat Percentage (c) (Unclaimed Property Liability(a)/Total Sales (b))
	<hr/> 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)

Audit Risk of Extrapolation

GROSS



KNOWLEDGE CHECK #2

Have you received a Delaware Verified Report or Compliance Review Notice in the last two years?

A

Yes

B

No

C

I would prefer not to say

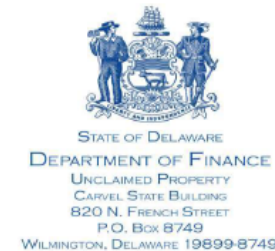


Delaware Compliance Review



Delaware Compliance Review

- ▶ The Delaware State Escheator is also beginning to conduct compliance reviews
- ▶ Notices request the following:
 - A list of all legal entities included in the report (Attachment A)
 - All supporting documents related to the unclaimed property report requested (Attachment B)
 - Addresses 9 different areas of review including:
 - Property types (AP, AR, payroll, securities, gift cards, rebates)
 - Company/entity information & accounting policies
- ▶ Companies that receive a notice had 30 days to respond
- ▶ Compliance review completion time targeted one year from the authorization of the review
- ▶ Currently being conducted by DE DOF staff



November 15, 2023

Re: Notice of a Compliance Review

Dear Holder:

Pursuant to 12 Del. C. § 1170, you are hereby notified that the State Escheator has authorized a Compliance Review ("CR") of the unclaimed property report for the reporting cycle ending on 12/31/2022 of [REDACTED], to determine compliance with the Delaware Escheats Law, Title 12, Chapter 11, of the Delaware Code (the "Escheats Law").

As stated in 12 Del. C. § 1170, the CR of the unclaimed property report for the reporting cycle ending on 12/31/2022, will be limited to the content of the report filed for that year under 12 Del. C. §§ 1142 and 1143, and all related supporting documents. The report for the reporting cycle ending on 12/31/2022 should include all property presumed abandoned as of 12/31/2022 that may be subject to escheat pursuant to the Escheats Law. Abandoned and unclaimed property is reported to the State of Delaware pursuant to the Escheats Law, as well as the priority rules and other provisions set forth in the United States Supreme Court case *Texas v. New Jersey*, 379 U.S. 674 and 380 U.S. 518 (1965), and reaffirmed by *Delaware v. New York*, 507 U.S. 490 (1993).

To conduct the CR of the unclaimed property report, please provide within thirty (30) days of this notice the following information:

- 1) A list of the legal entities included in the report. See Attachment A.
- 2) All supporting documents related to the unclaimed property report for the reporting cycle ending on 12/31/2022 of [REDACTED]. See detailed list in Attachment B. Please be advised that additional items may be requested at a later date.

Please email your response to

or mail a copy of it, including electronic format of the records, to:

Delaware Department of Finance
Office of Unclaimed Property

Carvel State Office Building
820 N. French Street, 8th Floor
Wilmington, DE 19801

Your cooperation in making available all of the [REDACTED] records that substantiate the unclaimed property report for the reporting cycle ending on 12/31/2022 will facilitate the completion of the CR within one year from the authorization of the review as stated in 12 Del. C. § 1170. Please be advised that part of the requested supporting documents related to the unclaimed property report is the company's records of their annual review that identifies \$0 liability for any of the entities included in the report within the reporting cycle under Compliance Review.

Please be advised that failure to respond to this notice or to provide the required information within thirty (30) days of this notice may result in the State's enforcement of the applicable penalty provisions of the Escheats Law as well as other remedies available to the State under applicable law.

Does DE verified report & compliance review preclude a company from entering a voluntary disclosure?

Who is eligible to enroll in the SOS VDA Program?

(Del Code Title 12 Sec. 1173(e))

- ▶ The following are not eligible to enroll in the SOS VDA Program:
 - Holders currently completing a VDA with the Department of Finance, although a holder that enrolled in the Department of Finance VDA program may transfer into the SOS VDA Program with the consent of the Secretary of State and the Secretary of Finance.
 - Holders that received an examination notice from the Department of Finance after July 22, 2015.
 - Holders that previously enrolled in but withdrew from the SOS VDA Program.
 - Holders that have been dismissed from the SOS VDA Program by the Secretary of State for failure to work in good faith to complete the SOS VDA.

Except as provided under § 1173(e) of this title, the filing of a verified report or participation in a compliance review does not preclude the holder from participating in the Secretary of State's voluntary disclosure program under § 1173 of this title. **(Means can enter VDA even if in process of responding to Verified Report or compliance review – see *Del Code Title 12 Sec. 1170*)**



KNOWLEDGE CHECK #3

Have you received a
Delaware VDA Letter in
2024 or 2025?

A

Yes

B

No

C

I would prefer not to say



Unclaimed Property Policies & Procedures



Policies & Procedures Request

EXAMPLE 1

2. A response regarding whether your company has written unclaimed property compliance policies and procedures in place. If so, please provide a copy of your company's unclaimed property compliance policies and procedures.

been selected by the Delaware State Escheator to file a Verified Report with the State of Delaware, Department of Finance, Office of Unclaimed Property ("OUP").











Please complete and return to the OUP within thirty (30) days of this Notice the following enclosed documents and responses:

1. Verified Report for Report Year 2021 (reporting cycle of twelve months ending on December 31, 2021), and Attachment A-List of Legal Entities Included in the Verified Report for Report Year 2021.
2. A response regarding whether your company has written unclaimed property compliance policies and procedures in place. If so, please provide a copy of your company's unclaimed property compliance policies and procedures.

Policy and Procedures

The absence of unclaimed property policies and procedures in place is the easiest way for a company to fall out of compliance with state escheatment laws and regulations.

With successful implementation, organizations can drive strong escheat compliance reporting and mitigate future risk.

	UP Liability Account		Role Assignments
	Written Policy & Procedures		Acquisitions and Divestitures
	Monthly Recon Process		Centralized Repository
	Early Reach Out		Record Retention Policy
	De minimis Amounts		Annual Compliance Process

Escheat Policy and Procedures Consulting

We leverage our extensive experience and knowledge to maximize escheat reporting efficiency and minimize ongoing risk

AR

- ▶ Interview process owners
- ▶ Obtain Sample A/R aging
- ▶ Complete A/R questionnaire
- ▶ GL system review
- ▶ Verify unapplied cash practices
- ▶ Verify de minimis write-off practices
- ▶ Identify manual and automatic write-offs (if any)
- ▶ Document A/R process; draft policy and procedures
- ▶ Setup A/R escheat liability GL account
- ▶ Augment policy and procedures for escheat best practices and compliance timeline

AP

- ▶ Interview process owners
- ▶ Obtain sample check register or outstanding checklist and void reports
- ▶ Complete A/P questionnaire
- ▶ GL system review
- ▶ Verify stale date and void practices
- ▶ Identify manual and automatic write-offs (if any)
- ▶ Document A/P process; draft policy and procedure
- ▶ Setup A/P escheat liability GL account
- ▶ Augment policy and procedures for escheat best practices and compliance timeline

Escheat Policy and Procedures Consulting

We leverage our extensive experience and knowledge to maximize escheat reporting efficiency and minimize ongoing risk

Payroll

- ▶ Interview process owners
- ▶ Determine if payroll done in house or outsourced (ADP)
- ▶ Obtain sample check register or outstanding checklist and void reports
- ▶ Complete payroll questionnaire
- ▶ GL system review
- ▶ Verify stale date and void practices
- ▶ Identify manual and automatic write-offs (if any)
- ▶ Document payroll process; draft policy and procedure
- ▶ Setup payroll escheat liability GL account
- ▶ Augment policy and procedures for escheat BPs and compliance timeline

TPA

- ▶ Interview owners
- ▶ Complete TPA matrix
- ▶ Obtain TPA plan documents
- ▶ TPA confirmation affidavits
- ▶ GL system review
- ▶ Identify manual and automatic write-offs (if any)
- ▶ Document TPA process; draft policy and procedure
- ▶ Setup TPA escheat liability GL account
- ▶ Augment policy and procedures for escheat best practices and compliance timeline
- ▶ Process



KNOWLEDGE CHECK #4

Does your organization
have unclaimed property
policies and procedures?

A

Yes

B

No

C

I would prefer not to say



Q&A

Bios





Joseph Carr

NATIONAL SALT BD/MARKETING & UNCLAIMED PROPERTY PRINCIPAL

Direct: 312-616-3946 | Mobile: 773-544-5150 | jcarr@bdo.com

330 N. Wabash Ave., Suite 3200, Chicago, IL 60601

Tel: 312-856-9100 | Fax: 312-856-1379

Experience

With 20 years of combined experience in state and local taxation, financial statement auditing, and operational auditing, Joe has worked with a broad range of the Firms' largest clients including manufacturing, retail, distribution, financial institutions, investment companies, and business services. He has extensive knowledge in state and local tax issues with an emphasis on income/franchise taxation and unclaimed property compliance and consulting.

Joe leads BDO's National State and Local Tax Business Development and Marketing function. In this role, Joe touches many folks in the corporate community through dedicated BDO Knows Webinar Series on various topics, Alerts, pressing notices and other educational outreach efforts. Joe also maintains a standing column with State Tax Notes entitled "A View from the Windy City" where he along with his colleagues discusses various state and local topics important to the taxing community at large. Recent articles have included: (a) State and Local Tax Due Diligence Exposures and Procedures, (b) Extension of Delaware's Friendlier Voluntary Disclosure Program, (c) Chicago Taxes Cloud-Based Services and Amusements and (d) Unclaimed Property Concerns for the Healthcare Industry. He is a frequent speaker at firm and organizational events on unclaimed property and other state and local topics.

In addition, Joe manages the SALT practice for the Firm's Chicago office and heads-up the firms National Unclaimed Property practice. He has had success in mitigating client escheat exposures in VDA and audit settlements before many state escheat divisions. Joe, in concert with his colleagues, works closely with clients to enhance their accounting practices, systems and ongoing efforts for operational efficiency through Accounting Assessment Reviews. This success is largely attributable to his deep understanding of accounting principles, transaction

flow, and unclaimed property law. Having evaluated financial and operational corporate risks, Joe offers clients facing escheat issues valuable accounting experience and unique perspectives in dealing with unclaimed property matters.

Prior to joining the Chicago office of BDO USA, LLP, Joe worked with Big Four firms in state and local tax and audit divisions. In addition, Joe also managed the Internal Audit Division of a middle market food cooperative.

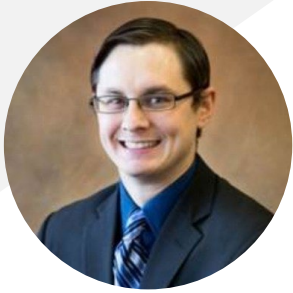
Education

- ▶ J.D. in Taxation, Loyola University Chicago School of Law
- ▶ B.A. in Accounting, University of Illinois, Chicago

Professional Affiliations

- ▶ Chicago Bar Association, Member
- ▶ Chicago Tax Club, Member
- ▶ Taxpayer Federation of Illinois, Member
- ▶ Unclaimed Property Professional Organization, Member





Rodney Michna

UNCLAIMED PROPERTY SENIOR MANAGER

Direct: 414-615-6758 | Mobile: 262-939-4153 | rmichna@bdo.com

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

Experience

Rodney has more than 10 years of experience in the public accounting industry, with a focus on assisting clients with their abandoned and unclaimed property (AUP) matters. Rodney has assisted clients in various industries including manufacturing, distribution, retail, oil & gas, business services, and healthcare.

As a member of BDO National Unclaimed Property Practice, Rodney helps clients with all types of escheatment needs including helping clients defend against audits, voluntary disclosure advice and consulting, developing policy and procedures, assistance with escheat compliance matters, etc. In addition, Rodney has helped clients with escheat planning.

Rodney is a contributor to various written alerts, firm bulletins and outreach on unclaimed property matters, and has presented on unclaimed property matters at both internal and third party-sponsored events.

Education

- ▶ M.S., Accounting, Marquette University
- ▶ B.S.B.A., Accounting, Marquette University

Professional Affiliations

- ▶ American Institute of Certified Public Accountants
- ▶ Wisconsin Institute of Certified Public Accountants



James Mann

UNCLAIMED PROPERTY SENIOR MANAGER

Direct: 312-730-1274 | Mobile: 312-856-9100 jmann@bdo.com

330 N. Wabash Ave., Suite 3200, Chicago, IL 60601

Experience

James has more than 19 years of unclaimed property experience at both at the governmental and industry levels. He has primarily focused on unclaimed property compliance issues including policy, due diligence and reporting requirements. James has also aided clients come into compliance utilizing various state's Voluntary Compliance Programs.

James works in the Firm's Unclaimed Property Compliance practice. In addition, James has assisted clients with unclaimed property audit defense, voluntary disclosure agreements and policy and procedures.

Prior to joining BDO, James worked with United Airlines, Inc. and the Illinois State Treasurer's Office handling unclaimed property compliance related efforts.

Education

- ▶ M.B.A., Utica College
- ▶ B.A. in Finance, Loras College

Professional Affiliations

- ▶ Certified Fraud Examiner - Assn. of Certified Fraud Examiners
- ▶ Unclaimed Property Professional Organization, Member



CONTACT US ►

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

For more information, please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2025 BDO USA, P.C. All rights reserved.

