Abandoned and unclaimed property – how a comprehensive Corporate Asset Recovery program can help identify new sources of revenue
Recovering unclaimed assets can offset the cost of compliance and can make a difference in your Company’s finances

When businesses think about abandoned and unclaimed property (“AUP”), they immediately think about compliance, including the costs and expenses related to: issuing and responding to due diligence letters, reporting, entering into voluntary disclosure agreements, and responding to audits (including associated interest and penalty payments) - all of which drain resources and potentially cause negative impact to a company’s bottom line. These are all reasons to support why many people believe that: AUP is solely a corporate liability.

The good news

The good news is that such a belief can be inaccurate. When the opportunities associated with corporate asset recovery are fully seized, it is clear that AUP is far from being solely a corporate burden. By integrating a comprehensive corporate asset recovery program, which taps into the more than $100 billion in unclaimed funds available to claim, it can make a difference in a Company’s finances. Identifying and recovering unclaimed property results in a business accessing new sources of revenue, increasing cash flow, and potentially securing the collection of millions of dollars. Additionally, the recovery of AUP provides an opportunity to offset the expense of compliance and may result in your Company’s unclaimed property function being viewed as a profit center.

Four classifications of unclaimed property

Many also think that all unclaimed property available for companies to claim is held by state abandoned property offices. However, while most people are familiar with unclaimed assets that are held by the state abandoned property offices (“State Held Abandoned Property”), there are actually four classifications of unclaimed property.

The classifications other than State Held Abandoned Property are: “Non-Escheated Dormant Property,” “Property Exempt from US Escheat Laws” and “Property Subject to Statutes of Limitation.” These four classifications are estimated to represent more than $100 billion in claimable property. Only approximately $42 billion of the $100 billion in unclaimed funds are held as State Held Abandoned Property with much of that property concentrated in a relatively small number of states. For example, the State of New York’s Abandoned Property Office alone is holding approximately $15 billion in unclaimed property. The remainder of these unclaimed assets are held by other state, federal, local and foreign government agencies and courts, and by other holders, including corporate holders. Indeed, to maximize recoveries, a company must identify and recover financial assets from all classifications of unclaimed property - not just “State Held Abandoned Property”. The bottom line is that if your company is only searching for State Held Abandoned Property they will be missing out on potentially exploiting the remaining $58 billion in unclaimed property that is available to be claimed.

There are thousands of sources of unclaimed property out there totaling more than $100 billion

2. http://www.osc.state.ny.us/ouf/
Identifying and recovering corporate assets can be challenging

No centralized reporting service or consistency to how records are kept

Additionally, despite the fact that many assume the majority of unclaimed property available for corporations to claim can be identified on the internet, thousands of unclaimed property sources do not post their unclaimed property records on the internet, and accessing their records by other means poses immense challenges. Only a fraction of AUP records are posted online. In fact, one of the most comprehensive websites that publishes AUP records of numerous states, indicates on their site that some states and provinces do not list all of the records in their custody nor do they list records under a certain dollar amount, while other states only list the most recent property items in their custody and others list only older records.

To compound the problem, even the jurisdictions that do make some of their records available online, often have restrictive searching mechanisms. For example, many websites only allow a user to search for an exact match, and do not use “fuzzy logic” or “wildcard” searches. As such, the results will only display matches with the exact search term that is input into the search field. AUP reported with common misspellings, abbreviations, punctuations, acronyms, or multiple names, may thereby go undiscovered.

Consequently, in order to comprehensively identify AUP held by public sources, in addition to searching the web, it is necessary to gather complete AUP records from each state abandoned property office, other state, federal, county, city, town and foreign government agencies, sub-agencies and courts. However, accessing these records is daunting, time consuming, and costly. Each office maintains its records differently, with unique and at times archaic procedures to obtain the information. For instance, some sources require requestors to conduct in person reviews, while others provide access via paper files only and charge significant fees. Further, once you receive the records, there is a manual process to manipulate the records for search-ability, and there is no guarantee that you will locate money.

Other people mistakenly believe that once property belonging to a company is located, the recovery process is fairly simple. To understand why this may not be the case, it’s important to keep in mind that the collection of unclaimed property by states often serve as a major source of revenue. The U.S. Supreme Court even recognized this back in 1951 in the case Standard Oil Co. v. New Jersey, 341 US 428 (1951), stating: "property thus escapes seizure by would-be possessors and is used for the general good rather than the chance enrichment of particular individuals or organizations."

Years later, things have changed very little. In 2011, states returned just $2.25 billion - a small fraction of the total funds in state accounts- to 2.5 million claimants. In Temple-Inland, Inc. v. Cook, Civ. No. 14-654-GMS (D. Del. June 28, 2016), the United States District Court for the District of Delaware devoted an entire portion of its opinion to discussing “Delaware’s Dependence on Unclaimed Property”, and confirmed that a large percentage of unclaimed property is not recovered. As a consequence, Delaware AUP accounts for the third largest revenue source for the state, and is a “vital element” to the state’s operating budget. Thus, it is not shocking that claiming AUP can be arduous and challenging and that successfully claiming AUP requires understanding the individual intricacies and peculiarities of thousands of unique sources, each with their own set of challenging requirements.

Recovery requires compliance with the intricacies and peculiarities of thousands of sources
Key takeaways

There are thousands of sources, other than state abandoned property offices, which may be holding unclaimed property belonging to your company; the majority of unclaimed property available for your company to claim may NOT be identified on the internet; obtaining and reviewing unclaimed property data is costly and labor intensive; and once the property belonging to your company is located, the recovery process is very complex and time consuming. However, at the end of the day corporate asset recovery can provide revenue if your company adopts a comprehensive corporate asset recovery program.

A comprehensive corporate asset recovery program has the following components: identifies and recovers unclaimed property from all classifications; uses powerful technology to maximize efficiencies and significantly increase search results; understands the idiosyncrasies, processes and procedures to competently recover unclaimed property from thousands of sources; maintains a library of up to date frequently used documentation to support claims; regularly tracks claim progress through payment; maintains relationships with sources; and performs regularly scheduled and systematic searches of unclaimed property.

PwC’s Abandoned and unclaimed property practice can add strategic value to your unclaimed property and compliance function.
Let’s talk

Contact us to discuss how we can assist with implementing a comprehensive Abandoned and Unclaimed Property Corporate Asset Recovery program

Janet Gagliano
Partner
National AUP Leader
(678) 419 1068
janet.c.gagliano@pwc.com

Loredana Pfannenbecker
Principal
New York Metro AUP Leader
(203) 539 5211
loredana.c.pfannenbecker@pwc.com

Heela Popal
Principal
East AUP Leader
(678) 419 1462
heela.popal@pwc.com

Jack Schwartz
Principal
West AUP Leader
(213) 356 6042
jack.schwartz@pwc.com

Patty Jo Sheets
Director
Mid-central AUP Leader
(312) 298 4340
patty.jo.sheets@pwc.com

Mark Warren
Director
Corporate Asset Recovery
(617) 530 6522
mark.warren@pwc.com