

Procedures Applicable to the State  
Authorized Unclaimed Property General  
Ledger and Securities Audits and Contractor-  
Assisted Self-Audits Conducted by  
Contractors

Florida's Department of  
Financial Services

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## **Introduction**

### **Statement of Purpose**

These guidelines contain policy and procedures governing the activities of third-party contractors conducting either a general ledger audit, securities audit, or a contractor-assisted self-audit of the holder or the holder's transfer agent under Florida's Unclaimed Property Program. The guidelines are designed to:

1. Ensure that the general ledger audit, the securities audit, and the contractor-assisted self-audit by third-party contractors is conducted objectively and impartially.
2. Ensure that the general ledger audit, the securities audit, and the contractor-assisted self-audit is completed promptly and without undue burden to the holders.
3. Ensure that strict confidentiality is maintained for records obtained from the state and the holders.
4. Ensure that the holder or the holder's transfer agent under the general ledger audit, the securities audit, or the contractor-assisted self-audit is fully apprised of their right to dispute any phase of the audit.

### **Authority to Conduct the Unclaimed Property General Ledger Audit, the Securities Audit, or the Contractor-Assisted Self-Audit**

Section 717.1301, Florida Statutes, provides authority for the Department of Financial Services ("Department") to examine/investigate the records of any person, as it deems necessary to administer and enforce the provision of this Chapter. Section 717.133(5), Florida Statutes, provides authority for Department to contract with third parties for the location or collection of unclaimed property on behalf of the State of Florida.

### **General Policies**

Third-party contractors shall comply with all terms and conditions specified in the contract with the Department.

Third-party contractors conducting a general ledger audit, a securities audit or a contractor – assisted self-audit under Florida's Unclaimed Property Program shall adhere to the following general policies:

1. In all matters relating to the assignment, an independence in mental attitude is to be maintained by the contractors.
2. The third-party contractors shall collectively possess sufficient training and experience to adequately perform unclaimed property general ledger audits, securities audits, and contractor-assisted self-audits.
3. The third-party contractors shall not participate in any general ledger audit, securities audit, or contractor-assisted self-audit in which such participation could be construed as

a conflict of interest. An example of a conflict of interest would be a contractor entering into an agreement with, or having an existing obligation to the holder or holder's transfer agent, that is adverse to the interest of the State of Florida.

A contractor may solicit a holder or holder's transfer agent for preparation of a voluntary report of a holder's unclaimed property pursuant to its contract with the Department. In such an engagement, the contractor supplies expertise, guidance, and counseling to the holder or holder's transfer agent with respect to submission of unclaimed property. However, such a solicitation will not constitute a conflict of interest provided the contractor was representing the State's interest in the preparation of the voluntary report, and

- a. Did not obtain any holder information that cannot be disclosed to the State of Florida because it is deemed confidential by the holder or the holder's transfer agent.
4. The contractor or its staff shall not solicit, accept, contract for or receive compensation in any form or manner from any holder or holder's transfer agent for whom the contractor has received the Department's authorization to conduct a general ledger audit, a securities audit, or a contractor-assisted self-audit pursuant to its contract within one year from the date of or 3 years before the date of the Department's authorization letter for the general ledger audit, securities audit, or the contractor-assisted self-audit of the holder or the holder's transfer agent.
5. The third-party contractors shall maintain strict confidentiality of any records or documents gathered during the general ledger audit, the securities audit, or the contractor-assisted self-audit. Contractor shall sign a confidentiality statement to preserve the integrity of the Department's security and confidentiality.
  - a. Contractor shall sign a confidentiality statement to preserve the holder's interest and the reasonable expectation of privacy of the owner's interest.
  - b. Contractor shall maintain a file of confidentiality statements and provide such statements to the Department upon request.
6. The third-party contractors shall fully explain to the holder or holder's transfer agent:
  - a. The purpose, scope, and objectives of the general ledger audit, the securities audit, and the contractor-assisted self-audit.
  - b. The general approach of the general ledger audit, the securities audit and the contractor-assisted self-audit and the procedures to be applied.
  - c. Circumstances in which estimation techniques may be used in conjunction with the general ledger audit, along with a description of the methodology that may be employed.
  - d. The right of the holder or the holder's transfer agent to dispute any phase of the general ledger audit, the securities audit, and the contractor-assisted self-audit.
7. The third-party contractors shall not engage in any general ledger audit, any securities audit, or any contractor-assisted self-audit without written authorization from the Department. The third-party contractors shall provide the holder or holder's transfer

agent with a copy of the Department's letter authorizing the contractor to perform the general ledger audit, the securities audit, or the contractor-assisted self-audit on the Department's behalf.

8. Third-party contractors shall not sub-contract any work without prior written authorization from the Department. The third-party contractors are responsible for ensuring that any affiliated companies and any sub-contractors that are used during the general ledger audit, the securities audit, or the contractor-assisted self-audit collectively possess sufficient training and experience to adequately perform the unclaimed property general ledger audit, the securities audit, or a contractor-assisted self-audit and fully comply with all other policies and procedures governing its conduct.
9. In the case of a general ledger audit and a securities audit, the third-party contractors shall properly document their audit and make the working papers gathered during the general ledger audit and the securities audit available on demand for review by the Department or the Office of the Inspector General. Such working papers will include planning information and all related calculations, statistical analyses, and summarizations.
10. Upon request and in the case of a general ledger audit and a securities audit, the third-party contractors must provide the holder or the holder's transfer agent with relevant copies of working papers supporting any calculation made of unclaimed property reportable to the State of Florida.
11. The third-party contractors agree to maintain working papers for a general ledger audit and a securities audit for a minimum of five years following the completion of the assignment, the unclaimed property report, the resolution of any dispute, or the entry of any final judgment in any litigation, whichever is later.

### **Opening Conference**

Prior to the opening conference, the contractor should provide the holder or the holder's transfer agent with a confidentiality agreement, a copy of these procedures, and a copy of the executed contract between the Department and the contractor.

During the opening conference, the contractor will:

1. Identify the time period to be covered by the general ledger audit, the securities audit, or the contractor-assisted self-audit and describe the general methods to be employed, including sampling and estimation for the general ledger audit.
2. Identify, in writing, the Department liaison to whom the contractor is accountable, including his or her full name, title, address, telephone and facsimile number, e-mail address, and advise the holder or the holder's transfer agent that it is free to discuss the general ledger audit, the securities audit, or the contractor-assisted self-audit with the

liaison at any time regarding allegations of misconduct, unethical behavior, or significant disagreement relating to legal authority.

3. Identify, in writing, the name of each state participating with whom the contractor has a current and valid executed written agreement to report unclaimed property. It is the option of the holder or the holder's transfer agent to provide the contractor with records relating to unclaimed property belonging to states other than Florida.
4. Identify, in writing, each and every senior employee, representative, and agent who will participate in the general ledger audit, the securities audit or the contractor-assisted self-audit and the approximate number of persons to be on-site at the location of the holder or the holder's transfer agent if an on-site review is required by the holder or the holder's transfer agent.
5. Explain the right of the holder or the holder's transfer agent to dispute any phase of the general ledger audit, the securities audit, or the contractor-assisted self-audit.
6. In the case of a general ledger audit and/or a securities audit, arrange for an on-site review of records of all property types if an on-site review is required by the holder or the holder's transfer agent.
7. Fully disclose to the holder or the holder's transfer agent its fee arrangement with the Department.
8. Explain that the holder or the holder's transfer agent shall remit to the contractor any unclaimed property identified during the general ledger audit, the securities audit or the contractor-assisted self-audit that is owed to the State of Florida unless the property consists of contents obtained from safe deposit boxes. The holder shall remit these contents directly to the Department.
9. Explain and describe the components of the general ledger audit, the securities audit or the contractor-assisted self-audit, which will typically involve the following phases:

### **Phase I: Basic Corporate Information Gathering; Site Selection**

Objective: Identify where all record keeping, accounting and unclaimed property is maintained and to obtain basic corporate data. When not centralized, to determine the particular entities/business units/third-party accounts to be included in Phase II.

Process: This phase commences for the:

1. General ledger audit and the securities audit with the opening conference between the contractor and the holder or the holder's transfer agent, at which time the contractor

requests basic corporate data. The holder or the holder's transfer agent is expected to respond to the data request within an agreed-upon time period not to exceed 30 days.

2. Contractor-assisted self-audit with the opening conference between the contractor and the holder or the holder's transfer agent at which time the contractor requests financial statements for identification of property types to be included in the self-audit analysis performed by the holder. The holder or the holder's transfer agent is expected to respond to the data request within an agreed-upon time period not to exceed 30 days.

**Phase II: Devising the General Ledger Audit Program and/or the Securities Audit Program for the Period, or the Identification of Potential Property Types to be Analyzed in the Contractor-Assisted Self-Audit for the Period**

Objective: To determine the amount of unclaimed property generated during the general ledger audit, the securities audit, or the contractor-assisted self-audit period. To understand policies and procedures related to accounting for and reporting unclaimed property during the general ledger audit, the securities audit, and the contractor-assisted self-audit period. To determine the amount of outstanding liability related to the stale-dated and dormant amounts contained in the presently maintained internal accounting system of the holder or the holder's transfer agent.

Process: This phase commences for the:

1. General ledger audit and the securities audit with a written document request from the contractor to the holder or the holder's transfer agent that will be utilized to identify the general ledger accounts or securities issues that will be included in the general ledger and/or securities audit. The holder or the holder's transfer agent is expected to be fully responsive to the contractors' request within an agreed-upon time period not to exceed 30 days.
2. Contractor-assisted self-audit with a review of the financial statements to be performed by the Contractor to identify potential property types to be analyzed by the holder of the holder's transfer agent. The Contractor is expected to be fully responsive to the holder or holder's transfer agent in identification of the property types to be analyzed within an agreed-upon time period not to exceed 30 days.

**Phase III: Obtaining Holder or Holder's Transfer Agent Records to Identify Accounts for Detailed Testing for the General Ledger Audit and/or the Securities Audit (not applicable to the Contractor-Assisted Self-Audit)**

Objective: To test the assertions of the holder or the holder's transfer agent regarding its creation and treatment of unclaimed property for the time period of the general ledger and/or securities audit. In those instances where the results indicate a proper treatment of unclaimed property, or the failure to generate material amounts of unclaimed property, the contractor must determine if these results would likely be reflective of the entire scope of the general ledger and/or securities audit.

Process: This phase as related to obtaining and testing of holder or holder's transfer agent records commences for the General Ledger and/or Securities Audit with a written document request from the contractor to the holder or the holder's transfer agent and includes a mutually agreed-upon date for production of the records to be either sent to the contractor or made available to the contractor in a site visit. This is expected to take place within 30 days of the document request. During this phase, the contractor analyzes the holder's financial accounting books and records and selects items for detailed testing. The holder is expected to produce documentation supporting its accounting for the items selected within an agreed-upon time period not to exceed 45 days. The contractor then contacts the holder or the holder's transfer agent at the agreed-upon date to review, analyze and document with work papers the books and records produced or to audit and then process the securities records produced.

**Phase IV: Detailed Testing of the Holder or Holder's Transfer Agent Records Covering the Entire General Ledger and/or Securities Audit (not applicable to the Contractor-Assisted Self-Audit)**

Objective: To determine the overall reportable property due and owing for the entire period under the general ledger and/or securities audit. If, due to record retention policy constraints, less than the entire general ledger and/or securities audit period, will be audited, the contractor shall determine the base period to be utilized; calculate total reportable property generated during the base period (i.e., amounts reported , plus amounts suspended, plus amounts written off); extrapolate total reportable property results from base period to entire period; then credit amounts actually reported.

Process: This phase commences with the contractor reviewing and analyzing the documents from the holder or holder's transfer agent received in Phase III.

1. General Ledger Audit. The design of the general ledger audit is expected to take 30 to 45 days. The contractor and the holder or the holder's transfer agent decides a mutually agreed-upon date for a site visit as determined by the contractor or the holder. During the site visit if required by the holder, the contractor will perform its testing procedures and select samples for detailed testing. The holder is expected to produce documentation supporting its accounting for the items selected within 60 days. The contractor then makes a second site visit, if required, at the expiration of the 60-day period to review and analyze the documents produced. If the holder believes it has been responsive to the contractor, but the contractor disagrees, the holder has an additional 30 days to provide additional documentation to the contractor to support its position.

The holder or the holder's transfer agent should be informed that if it has fully reliable records for the audit period, there is no need for estimation techniques. The holder or the holder's transfer agent should also be informed that if it (i) wants to question the accuracy of its own records or (ii) does not have records for the entire period or (iii) believes that accessing those records would be excessively burdensome, then a sampling and extrapolation may be performed. The contractor should advise the holder or the holder's transfer agent of the parameters of the sampling technique and try to reach agreement with the holder or the holder's transfer agent as to the integrity thereof. Failure to reach such agreement, however, should not halt the audit. The holder or the holder's transfer agent should be informed that if sampling techniques were used, the liability determined by the contractor would represent an estimation only.

2. **Securities Audit.** The design of the securities audit is expected to take 30 to 45 days. The contractor and the holder or the holder's agent then decides upon a mutually agreed-upon date for a site visit or the off-site production of securities records. During the site visit or after the off-site production of records, the contractor will perform its audit and processing of the securities records of the holder or holder's transfer agent. The holder is expected to produce the securities documentation records supporting its accounting for the securities issue within 60 days. If the holder believes it has been responsive to the contractor, but the contractor disagrees, the holder has an additional 30 days to provide additional documentation to the contractor to support its position.

### **Phase V: Closing the General Ledger Audit, the Securities Audit, and the Contractor-Assisted Self-Audit and Calculation of Unclaimed Property Liability**

Objective: To reach agreement with the holder or the holder's transfer agent on the amount of reportable property due and owing to the State of Florida.

Process: This phase commences for the:

1. General ledger audit and the securities audit with the issuance of a draft report from the contractor to the holder or the holder's transfer agent documenting the findings of the audit and summarizing the procedures conducted during the audit. The holder or the holder's transfer agent has 20 days to respond to the draft report. Discussions are held with the holder or the holder's transfer agent to finalize the findings, which are expected to occur within 15 days of the initial response of the holder, the holder's transfer agent, or the contractor. After the holder or the holder's transfer agent and the contractor have agreed to the amount deliverable, the contractor will provide the holder or the holder's transfer agent and the Department with a final report summarizing the procedures performed and the conclusions reached, the original annual unclaimed property report, and the amount deliverable. The content and format of the final report shall be in the manner prescribed by the Department. The contractor's work papers for the general ledger audits and securities audits will

be subject to the Department's review. The holder or the holder's transfer agent will be notified of any interest or penalties assessed on delinquent property.

2. Contractor-assisted self-audit with a final report summarizing the procedures performed and identification of the property types included in the report for unclaimed property. If the holder in a contractor-assisted self-audit does not report the following property types: MS01, MS04, MS05, MS08, MS09, MS11, or MS16, the holder must provide a reasonable justification for this omission. The contractor will provide to the Department the final report summarizing the property types reported along with the original unclaimed property report and the amount deliverable. The holder or the holder's transfer agent will be notified that interest and penalties are waived if they voluntarily comply with the self-audit.

If the holder or the holder's transfer agent and the contractor cannot reach an agreement subsequent to the exit conference of the general ledger audit, the securities audit, or the contractor-assisted self-audit, the holder or the holder's transfer agent may discuss with the contractor representative or the Division Director any concerns relative to any phase of the concluded general ledger audit, the securities audit, or the contractor-assisted self-audit. If the concerns are not resolved, the holder or the holder's transfer agent has a right to a review of the audit by the Director of the Division of Unclaimed Property or his/her designee.

Upon request, the holder or the holder's transfer agent may obtain relevant copies of working papers supporting any calculation made of the unclaimed property reportable to the State of Florida pursuant to the general ledger audit and/or the securities audit upon payment by the holder or the holder's transfer agent of the costs incurred by the Department for duplication of the documents.

### **Working Paper Requirements (not applicable to the Contractor-Assisted Self-Audit)**

The contractor is required to prepare working papers that provide documentary evidence of the work performed in the general ledger audit and/or securities audit. The working papers provide the basis for the audit and evaluation of the work of the contractors and must be complete and accurate to provide proper support for findings, conclusions, and recommendations. Working papers must be clear and understandable, ensuring that supplementary explanations are not needed. Anyone using the working papers should be able to readily determine the purpose, nature, and scope of the work done and the contractor's conclusions. Working papers must be legible and neat. The information contained in working papers should be restricted to matters materially important, relevant, and useful to the objectives established for the audit. The working papers are a record that should be understandable to any professional many years later, whether or not the person preparing the working papers is available.

Each work paper should "stand alone" and include adequate cross-references. The format for individual working papers should contain the following:

- Headings. All working papers should be identified with a heading that includes the

name of the entity subject to the general ledger and/or securities audit , the dates of the general ledger and/or securities audit period, a title describing the nature of the data on the working paper, and the identification number of the general ledger and/or securities audit.

- Signing, Dating, and Paginating. Each lead working paper must be initialed and dated by the preparer and the reviewer, and all pages numbered.
- Source, Purpose, Scope, Procedures, Findings and Conclusions. Each of these items usually appears on every working paper. Occasionally, only the source and purpose are required, particularly when documents are obtained for background information. Procedures are necessary when the purpose of the working paper does not make them self-evident.
- Indexing. The essential elements of an indexing system are (i) standard prepared index; (ii) total pages to each working paper; and (iii) sequential numbering of all pages after the assignment is completed. This ensures that all working papers are accounted for and allows the auditor to detect any missing pages.
- Cross-Referencing. To highlight references among working papers, the cross-referencing page numbers should be written in red.
- Legends and Tick Marks. A legend should be included on each working paper that adequately explains the general ledger audit and/or securities audit procedures performed and represented by a particular tick mark. If several pages of information are to be tested, the tick mark legend should be on or referenced on the first page of the working paper.

### **Sampling Requirements**

The two possible approaches to sampling for general ledger audits are non-statistical and statistical. Regardless of the sampling approach selected, the contractor must properly plan, perform, and evaluate the results of the sample in accordance with professional standards.

### **Cooperation Among the States**

The contractor shall notify the holder or the holder's transfer agent of any additional or unique state requirements during or after the opening and exit conferences. To the extent a holder or the holder's transfer agent has an issue with the contractor, the contractor is to notify the Department as soon as possible. To the extent possible, the general ledger audit, the securities audit, and the contractor-assisted self-audit should proceed while disputes are being resolved. This procedure should not be interpreted as states limiting their authority or waiving their rights in performing the general ledger audit, the securities audit, or the contractor-assisted self-audit.

## **Correspondence**

The general ledger audit report, the securities audit report, and the contractor-assisted self-audit report and any relevant correspondence should be sent to the Department of Financial Services, Division of Unclaimed Property, P.O. Box 1990, Tallahassee, Florida 32302-1990. Inquiries should be directed to the Division of Unclaimed Property at (850) 410-9000.