



CHIEF FINANCIAL OFFICER  
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STATE OF FLORIDA

**REPORT IA 22-503**

## **OFFICE OF INSPECTOR GENERAL**

# **AUDIT REPORT ON THE UNCLAIMED PROPERTY ACCOUNTS RECEIVABLE HOLDER REPORT PROCESS DIVISION OF UNCLAIMED PROPERTY**

*Audit of the Unclaimed Property Accounts Receivable Holder Report Process by the  
Division of Unclaimed Property*

A handwritten signature in blue ink, appearing to read "David T. Harper".

David T. Harper, Inspector General  
Office of Inspector General  
Department of Financial Services



March 4, 2022

**CONTENTS**

**EXECUTIVE SUMMARY ..... 1**

**INTRODUCTION, BACKGROUND, AUDIT OBJECTIVES AND SCOPE ..... 2**

    Introduction.....2

    Background.....2

    Audit Objectives .....3

**FINDINGS AND RECOMMENDATIONS ..... 4**

**METHODOLOGY ..... 6**

**MANAGEMENT’S RESPONSE..... 6**

**ACKNOWLEDGEMENTS..... 6**

**DISTRIBUTION LIST..... 7**

**ATTACHMENT ..... 8**

## **EXECUTIVE SUMMARY**

The Department of Financial Services (DFS), Office of Inspector General (OIG) conducted an operational audit on the Division of Unclaimed Property (DUP). The audit's purpose was to evaluate the quality of unclaimed property holder report processing activities performed by the DUP for holder reports covering Fiscal Year 2019-2020. The audit focused on the timeliness of Division staff's report holder processing and the appropriateness of late holder report penalties and interest assessments and waivers. Additionally, the audit assessed certain security controls intended to protect the confidentiality, integrity, and availability of associated data and IT resources.

The engagement revealed an opportunity for the DUP to make improvements relating to their holder report process. The activities that would benefit from improvement include the execution of certain security controls and ensuring policies and procedures are followed for penalty and interest waiver requests.

To address these areas, the OIG recommends that the Division develop policies and procedures relating to certain security controls and that the DUP provide training to staff to ensure that its penalty and interest waiver policies and procedures are followed.

## INTRODUCTION, BACKGROUND, AUDIT OBJECTIVES AND SCOPE

### Introduction

The Department of Financial Services (DFS), Office of Inspector General (OIG) conducted an operational audit with the Division of Unclaimed Property (DUP). The audit's purpose was to evaluate the quality of unclaimed property holder report processing activities performed by the DUP for holder reports covering Fiscal Year (FY) 2019-2020. This audit was based on OIG's FY 2021-2022 Annual Audit Work Plan and was conducted in conformance with professional standards.

### Background

According to the Department's public website<sup>1</sup>,

*Unclaimed Property is a financial asset that is unknown or lost, or has been left inactive, unclaimed, or abandoned by its owner. The most common types of unclaimed property are dormant bank accounts, unclaimed insurance proceeds, stocks, dividends, uncashed checks, deposits, credit balances and refunds. Unclaimed property also includes contents from abandoned safe deposit boxes in financial institutions. Unclaimed property assets are held by business or government entities (holders) for a set period of time, usually five years. If the holder is unable to locate, re-establish contact with the owner and return the asset, it is reported and remitted to the Florida Department of Financial Services, Division of Unclaimed Property.*

Chapter 717, Florida Statutes (F.S.), establishes the unclaimed property reporting process, which the DUP implements. Specifically, 717.117 (1) F.S., *Report of Unclaimed Property*, requires that, "Every person holding funds or other property, tangible or intangible, presumed unclaimed and subject to custody as unclaimed property under this chapter shall report to the department [the Department of Financial Services] on such forms as the department may prescribe by rule." Chapter 717 requires that this holder reporting process also be the mechanism for the remittance of the value of the unclaimed property, or its delivery. Accordingly, 717.119 (1), F.S., *Payment or Delivery of Unclaimed Property*, states, "Every person who is required to file a report under s. 717.117 shall simultaneously pay or deliver to the department all unclaimed property required to be reported. Such payment or delivery shall accompany the report as required in this chapter for the preceding calendar year." These requirements are expounded upon by Florida Administrative Code (F.A.C.) Chapter 69G-20, Unclaimed Property.

The Division has delegated responsibility for the execution of the holder reporting as required by 717 F.S. to its Accounts Receivable Section (Section). The Section is composed of 22 positions, including a Financial Administrator and three supervisors. The subsection assigned to the holder reporting process is the Processing Subsection. It is supervised by one supervisor (a Financial Examiner/Analyst Supervisor), two team lead positions (Financial Examiner/Analyst IIs), and seven non-team lead staff positions. All Accounts Receivable staff perform their work using the Unclaimed Property Management Information System (UPMIS). As noted by the Auditor General in *Report No. 2018-210, Unclaimed Property Management Information System (UPMIS)*, UPMIS is a "custom-built,

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<sup>1</sup> <https://www.fltreasurehunt.gov/UP-Web/sitePages/FAQs.jsp>, accessed December 28, 2021

interactive, Web-based application designed to collect, compile, store, and report unclaimed property data in Florida.”<sup>2</sup> During FY 2019-2020 (July 1, 2019-June 30, 2020), Accounts Receivable staff received 20,106 holder reports, and processed and uploaded 14,435 of the them into UPMIS within 60 days of their assignment. Because of the efforts of DUP staff, \$500,629,225 in unclaimed funds were recovered for the people of Florida.<sup>3</sup>

### **Audit Objectives**

This operational audit of the DUP’s Accounts Receivable Section’s Holder Report Process covered FY 2019-2020 (July 1, 2019-June 30, 2020). The audit assessed the timeliness of Division staff’s report holder processing and the appropriateness of holder report late fees and interest assessments by Division staff. Additionally, this audit evaluated certain security controls intended to protect the confidentiality, integrity, and availability of associated data and IT resources.

The engagement’s objectives were the following:

- To determine whether proper controls are in place to ensure holder reports are reviewed and approved by Division staff in a timely manner.
- To determine whether proper controls are in place to ensure holder report late fees and interest are appropriately assessed by Division staff.
- To determine whether proper controls are in place to mitigate threats to the integrity of the UPMIS data.

### **Audit Scope**

Division documentation and other evidence will be reviewed to ensure Division staff reviewed and processed holder reports in a timely manner during FY 2019-2020, as defined by statute, rule, internal policies, and procedures. Timeliness data will be compared to standards and benchmarks set by other states and nationwide organizations. The scope will include a review of the holder report processing and will assess reports by asset type, such as securities and stocks and large banks.

Division documentation and other evidence will be reviewed to ensure Division staff properly assessed holder report late fines and interest during Fiscal Year 2019-2020, according to statute, rule, internal policies, and procedures. The total amount of fees and interest penalties assessed during the period versus the amount that should have been assessed during the period according to established standards will be calculated and analyzed. Statistical sampling will be used, if determined appropriate.

Division documentation and other evidence will be reviewed to determine whether certain security controls are in place.

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<sup>2</sup> Report No. 2018-210, *Unclaimed Property Management Information System (UPMIS)*, published June 2021, [https://flauditor.gov/pages/pdf\\_files/2018-210.pdf](https://flauditor.gov/pages/pdf_files/2018-210.pdf)

<sup>3</sup> Information from email received from DUP Financial Administrator Lindsay Ansola-Crowley, August 13, 2021.

## FINDINGS AND RECOMMENDATIONS

### **Finding 1: Penalty and Interest Waivers**

Sections 717.117(3), 717.119 (5)(c) and 717.134 (4) F.S identify penalties and interest amounts due to the State of Florida should holders of unclaimed property fail to report upon or deliver the unclaimed property they hold in a timely manner. For example, Section 717.117(3) F.S. authorizes the state to “impose and collect a penalty of \$10 per day up to a maximum of \$500 for the failure to timely report or the failure to include in a report information required by this chapter.” In addition to these penalties, the department also imposes interest for late report and property submissions. Specifically, Section 717.134 (4), F.S. states, “Any person who fails to report or pay or deliver unclaimed property within the time prescribed by this chapter shall pay to the department interest at the rate of 12 percent per annum on such property, or value thereof, from the date such property shall have been paid or delivered.”

Each statute allows the Department to waive penalties and interest with appropriate justification. Criteria for what constitutes appropriate justification for penalty or interest waivers (known as “good cause”) are identified in subsection 4 of Rule 69G-20.038 F.A.C., *Late Annual Report(s), Late Payment(s) and Late Delivery of Unclaimed Property*.<sup>4</sup> “Good cause” for late submittal includes natural causes and erroneous penalty and interest assessments by the Department, among others. The rule also requires that the requests be made in writing and that the Department grant the waiver approvals in writing. The *Division of Unclaimed Property Accounts Receivable Desk Procedures* (Desk Procedures) also identify other procedural requirements. These include a requirement in Section 16, Subsection I that, “All waivers of penalties and interest greater than \$5,000 dollars must be approved and signed by the Accounts Receivable Financial Administrator and Division Director.”

A review of a sample of 20 FY 2019-2020 waiver requests and their supporting documentation revealed that the Division did not consistently approve and document penalty and interest waivers in conformance with its administrative rules and policies and procedures. Specifically,

- One approved waiver lacked written Division approval, as required by Rule 69G-20.038 (6) F.A.C. and Desk Procedures.<sup>5</sup>

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<sup>4</sup> Rule 69G-20.038 (4) F.A.C. indicates, “A written request for a waiver of applicable penalties must be filed with the Department. The Department shall review the facts and circumstances of each filed written request on a case-by-case basis. A finding by the Department that good cause exists shall constitute appropriate justification to waive applicable penalties. For purposes of this subsection, “good cause” means:

- (a) Natural disasters;
- (b) Acts of war or terrorism;
- (c) Initial report filed by the holder or its subsidiaries which was not induced by an examination from the Department or agents;
- (d) Penalty amount in excess of the reported amount;
- (e) Penalty assessed in error; or
- (f) System conversions, updates/changes in reporting software.”

<sup>5</sup> Section 16, Item G of the Desk Procedures state, “If the request for waiver is approved by the Financial Administrator, it will be waived on the UPMIS system by the Financial Examiner/Analyst II within two (2) days

- One waiver approval did not meet the criteria for “good cause” for the waiver of the interest and penalties, as defined by Rule 69G-20.038 (4) F.A.C.
- Two of the 20 waiver request records could not be located by the Division.
- One of the waiver requests did not include an actual request for a penalty and interest waiver. Rather, it was an email from a holder requesting clarification on whether they were required to submit a holder report.

The Division stated through inquiry that the deficiencies arose from a training issue, which the Division states it plans to address by conducting additional training. However, because of not properly applying the identified waiver procedures to late reports, the risk is increased that the State of Florida may not receive all the penalty and interest revenue it is owed.

### **Recommendation**

The OIG recommends that the Division update its policies and procedures, as necessary, and provide additional training to staff to ensure administrative rules and policies and procedures are followed relating to penalty and interest waiver requests.

### **Finding 2: Security Controls– Logging and Monitoring**

Security controls protect the confidentiality, integrity, and availability of data and IT resources. This audit disclosed that certain security controls related to logging and monitoring need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising UPMIS data. However, we have notified appropriate Division leadership of the specific issues.

### **Recommendation**

We recommend that Division leadership improve certain security controls related to logging and monitoring to ensure the integrity of UPMIS data.

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of the receipt of the form from the Financial Administrator or designee. The waiver approval letter is to be generated and mailed to the holder on the same day the penalty is waived on the UPMIS system. A copy of the holder’s waiver request along with the Penalty Waiver Approval/Denial form is to be maintained in date-processed order for monthly reconciliation by the Financial Specialist. Once this monthly reconciliation is completed, all original documents (i.e. waiver request letter, waiver approval/denial form, waiver approval letter and any additional documentation) must then be sent by the Financial Specialist for scanning into the imaging system.”

## METHODOLOGY

To accomplish engagement objectives, the OIG performed the following procedures:

- Conducted research to identify statewide and agency-specific requirements, including 215.86 F.S., *Management Systems and Controls*; Rule 60GG-2 F.A.C., *Information Technology Security*; DFS Administrative Policy and Procedure 1-02, *Internal Controls Policy*; Chapter 717 F.S., *Disposition of Unclaimed Property*; and Rule 69G-50 F.A.C., *Unclaimed Property*.
- Conducted interviews with key Division personnel, including fraud interviews.
- Examined supporting documentation from Division personnel.
- Observed an UPMIS holder report system demonstration via Microsoft Teams.
- Reviewed timeliness of holder report processing.
- Recalculated holder processing timeliness measures and waiver and interest assessments.
- Compared waiver request and approval supporting documentation to established criteria.

## MANAGEMENT'S RESPONSE

The DUP responses are provided as an attachment and the DFS OIG agrees with the responses.

## ACKNOWLEDGEMENTS

The OIG would like to thank DUP leadership and staff for their input, cooperation, and assistance throughout the performance of this engagement.

The Office of Inspector General performs audits, consulting activities, and reviews of Department of Financial Services' programs, activities, and functions to promote accountability, integrity, and efficiency in state government.

This engagement was conducted in conformance with The *International Standards for the Professional Practice of Internal Auditing*, published by The Institute of Internal Auditors, Inc., pursuant to Section 20.055, Florida Statutes, and *Principles and Standards for Offices of Inspectors General*, published by the Association of Inspectors General. This engagement was conducted by Crista Hosmer, CIA, CIGA, CIGE, FCCM, Senior Auditor, under the supervision of Debbie Clark, CPA, CISA, CGAP, CIGA, Director of Audit.

Please address inquiries regarding this report to the DFS Office of Inspector General at 850-413-3112.



## **DISTRIBUTION LIST**

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## ATTACHMENT

### RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

#### **Finding 1: Penalty and Interest Waivers**

The Division did not consistently approve and document penalty and interest waivers in conformance with its administrative rules and policies and procedures.

**Recommendation:** The OIG recommends that the Division update its policies and procedures, as necessary, and provide additional training to staff to ensure administrative rules and policies and procedures are followed relating to penalty and interest waiver requests.

**Response:** The Division concurs and by the end March 2022 will enhance its policies and procedures relating to penalty and interest waiver requests to ensure compliance with administrative rules. The applicable staff will be provided these enhanced policies and procedures along with additional training to ensure compliance with the administrative rules and policies and procedures.

**Expected Completion Date for Corrective Action:** End of March 2022

#### **Issue 2: Security Controls- Logging and Monitoring**

Certain security controls related to logging and monitoring need improvement.

**Recommendation:** We recommend that Division leadership improve certain security controls related to logging and monitoring to ensure the integrity of UPMIS data.

**Response:** The Division concurs and by the end of March 2022 will develop and implement a monitoring report that will be provided to Division management daily. Policies and procedures will be developed for this monitoring process.

**Expected Completion Date for Corrective Action:** End of March 2022