

LBA Financial Audit Report Summary:

State Treasury, Abandoned Property Division, Financial Audit Report for the Six Months Ended December 31, 2009

Reporting Entity And Scope

The reporting entity of this audit and audit report is the Abandoned Property Division of the New Hampshire State Treasury and its custody and escheat of unclaimed and abandoned property pursuant to RSA 471-C. Not included in the scope of this audit and audit report are the State Treasury's responsibilities over the receipt, investment, and disbursement of State funds and the general State Treasury's administration of the State's debt management program. The scope of this audit and audit report includes the balances and financial activity of the Abandoned Property Division as of and for the six months ended December 31, 2009 reported in the accounts of the Abandoned Property Program. Unless otherwise indicated, reference to the Division or auditee refers to the Abandoned Property Division. Reference to the Treasury refers to the State Treasury.

Organization

The Abandoned Property Division (Division) of the State Treasury is responsible for administering the Abandoned Property Program. The Director of the Abandoned Property Division oversees a staff of four full-time employees, who process all receipts and disbursements of the Abandoned Property Program. The Director reports to a Deputy Treasurer, who in-turn, reports to the State Treasurer.

The Abandoned Property Division is located at 25 Capitol Street, Room 205 in Concord, New Hampshire.

Responsibilities

Pursuant to the provisions of RSA 471-C, the State Treasurer is the administrator of the State's Abandoned Property Program. The day-to-day operations of the Abandoned Property Program are managed by the Division which receives, holds, and returns property to owners when located and escheats the property to the State and county governments if, after a period of time, owners can not be located. Pursuant to RSA 471-C:31-a, rightful owners can claim abandoned property subsequent to escheatment upon petition to, and approval by, the Governor and Executive Council.

Property presumed abandoned or unclaimed is reported and remitted by the "holders" of such property typically in the form of currency or shares of securities, such as stocks or mutual funds. Pursuant to RSA 471-C, a holder of unclaimed property is to presume the property is abandoned when the property remains unclaimed for a period of five years (one year for wages and utility

deposits and 15 years for traveler's checks.) Holders include entities such as banks, credit unions, utilities, insurance companies, retailers, as well other businesses and government agencies.

The Division attempts to make property owners aware that their property has been reported and remitted to the Division and is available to be claimed. Annually, in compliance with State statutes, the Division purchases a newspaper listing, in two consecutive weeks, publicizing the names and last known address of owners with reported property available to be claimed. The Division also mails a postcard notification to the last known address of the reported owner and also posts New Hampshire abandoned property information on an on-line, web-accessible, multi-state database of unclaimed property owners. This database allows anyone to search for abandoned property held by the participating state abandoned property programs via the internet.

Funding

Cash and checks remitted to the Division as abandoned property are recorded in balance sheet accounts in the State's accounting system (NHFirst). Securities remitted are transferred to a custodial account maintained by a contracted custodian. Securities reported to the Division and held by the custodian are not reported in NHFirst unless and until the securities are liquidated prior to escheatment. The market value of the securities is reported by the Division to the Department of Administrative Services, Bureau of Accounts, at fiscal year end for reporting in the State's comprehensive annual financial report. The financial activity of the Abandoned Property Division is accounted for in the General Fund of the State of New Hampshire. A summary of revenues and expenditures for the six months ended December 31, 2009 is shown in the following schedule.

Summary Of Revenues And Expenditures For The Six Months Ended December 31, 2009

	General Fund
Total Revenues	\$ 16,614,447
Total Expenditures	<u>2,136,574</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ 14,477,873</u>

The auditor's report on the Division's financial statements was a disclaimer of opinion as the Division does not maintain adequate accounting records to provide sufficient information for the preparation of its financial statements.

The audit report includes an auditor's report on internal control over financial reporting and on compliance and other matters and an auditor's report on management issues. The following is a list of the comments in the report.

Internal Control Comments

Material Weaknesses

- Appropriate Accounting System Should Be Established
- Comprehensive Reconciliations Should Be Performed
- Report And Remittance Policies And Procedures Should Be Updated
- Controls Over Holding And Reporting Of Securities Reported As Abandoned Property Should Be Improved

Significant Deficiencies

- Controls Over Claims Payments Should Be Improved
- Controls Over Information Technology Systems Should Be Improved
- Authority Granted Within Statute Should Be Used To Encourage Holders To Report Abandoned Property
- Accountability Upon Receipt Of Reported Property Should Be Improved
- Status Of Funds Collected By The Department Of Justice Should Be Clarified
- Allocation Of Abandoned Property Costs Should Be Based On Cost Analysis
- Personnel Costs Should Be Allocated In A Consistent Manner
- Appropriateness Of Maintaining Securities Outside Of Custodial Account Should Be Reviewed

Compliance Comment

- Current Administrative Rules Should Be Adopted

Management Issue

- Current Status Of The Foreign Escheated Estates Account Should Be Reviewed