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Chiang Comments on First Audit of Unclaimed Property Contractors

SACRAMENTO – State Controller John Chiang today issued the following statement regarding the first independent audit of companies that contract with California to identify unclaimed property in other states:

“I am pleased that this first-time, independent audit has determined there is no evidence whatsoever that either of the two companies under contract with the State of California has illegally or inappropriately collected or delivered property that was not subject to transfer under state law.

“The audit identified problems with contracts that apparently have been renewed with little change since the mid-1980s. As a result of this finding, I have instructed my staff to immediately negotiate new contracts that ensure their provisions do not conflict with state law and that the responsibilities of the parties are clearly spelled out. I also have instructed my staff to recoup any overpayments that have been identified, and to begin our own internal audits of the companies on a two-year cycle.”

Believed to be the first independent audit in the nation of a third-party, unclaimed property contractor, the review was ordered as part of Chiang’s top-to-bottom review and revamp of California’s Unclaimed Property Program. Created in 1959, the program is intended to safeguard lost or forgotten property – such as bank accounts, utility deposits or stock certificates – from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private interests for personal gain, either through an unwillingness to find the owner or greed.

The Controller’s Office audits California companies to ensure they comply with the law, which requires them to send to the State property that has been inactive for a period of, generally, three years. But because of costly travel expenses, all but a few states have opted to contract with outside firms to find property in other states. Beginning in 1985, California has used private companies to identify, collect and deliver property held by out-of-state companies that belongs to Californians. Currently, the State contracts with three firms. However, one company has yet to send any property to the State.

As a result of the audit, Controller Chiang instructed staff to renegotiate the current contracts to protect against conflicts of interest by ensuring that none of the companies are affiliated with firms that represent businesses that submit unclaimed property to California. The new contracts also will require the companies to maintain and provide to the Controller’s Office monthly status reports.

After taking office in January 2007, Controller Chiang immediately began reforming the Unclaimed Property Program. He administratively ordered a halt to the sale or destruction of any property until the laws could be changed to provide notice to the owner.

The Controller sponsored legislation signed into law in August that lifts 20-year-old legal restrictions that prevented his office from notifying owners that their abandoned property may have been sent to the state. SB 86 allows the Controller to notify all property owners both before and after their unclaimed property is sent by businesses to the State after a period of inactivity.

He recently appointed consumer and public interest advocate Ruth Holton-Hodson to the position of Property Owner Advocate to assist in difficult or complex unclaimed property claims, and created a Property Owners Bill of Rights.

This year, he is sponsoring legislation to prohibit banks from sending “abandoned” safe deposit box contents to the State if the owner of that property has other active accounts with that financial institution. He also is pursuing legislation to increase the amount of time property must be inactive before it is sent to the State to give owners more time to claim their property.

Performed by MGT of America Inc., the audits of [Affiliated Computer Services – Unclaimed Property Clearinghouse \(ACS-UPCH\)](#) and [Audit Services U.S. \(ASUS\)](#) are available on the Controller’s website at www.sco.ca.gov.

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