

STATE OF FLORIDA  
DEPARTMENT OF FINANCIAL SERVICES  
DIVISION OF UNCLAIMED PROPERTY

GENERAL AUDIT PROCESS FOR THE  
IDENTIFICATION, AUTHORIZATION, GENERAL LEDGER AND/OR SECURITIES  
AUDITS, CONTRACTOR-ASSISTED SELF-AUDITS, COLLECTION AND  
DELIVERY OF UNCLAIMED PROPERTY  
FOR THE STATE OF FLORIDA

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## DEFINITION SECTION

- A. "Custodian" means the entity that has been designated by the Contractor to serve as an intermediary repository for the unclaimed property due to the Department.
- B. "Department" means the Office of the Chief Financial Officer or Department of Financial Services, Division of Unclaimed Property, or its successor.
- C. "Holder" means a person, wherever organized or domiciled, who is: (a) In possession of unclaimed property belonging to another; (b) A trustee in case of a trust; or (c) Indebted to another on an obligation.
- D. "Licensed Financial Institution" means any state or national bank, international banking entity or similar entity, trust company, savings bank, industrial savings bank, or any organization otherwise defined by law as a bank or banking organization located in the United States and includes a licensed securities dealer.
- E. "Vendor" means the proposer.
- F. "Contractor" means the successful Vendor(s).
- G. "Renewal Period" means a three-year period following the initial three-year contract.
- H. "Representation" means a certification (representation) that the report is in compliance with Chapter 717, FS, as provided by an official representative of the Contractor.
- I. "Reportable Period" means the calendar year ending December 31 of each year.
- J. "Reconciliation" means the determination by the Contractor regarding what unclaimed property is to be distributed to different states in the event that a review and audit is being conducted for the benefit of more than one state or the determination by the Contractor that the holder or holder's transfer agent has remitted the proper amount and type of unclaimed property.
- K. "Transfer Agent" means the entity that has been designated by the holder to serve as their representative to handle a certain stock transaction.
- L. "Chapter 717, Florida Statutes" means the Florida Disposition of Unclaimed Property Act.
- M. "Extenuating Circumstances" means acts of God, flood, fire, war or public enemy, provided the holder or holder's transfer agent experiencing the force majeure condition provides written notification within a reasonable timeframe to the Contractor and takes all reasonable efforts to cure said condition.
- N. "General Ledger and/or Securities Audit" means the examination and audit of the financial records of a holder, wherein the contractor takes physical custody of the records, either on-site or off-site, and performs a physical inspection/examination/audit of such records to determine whether the holder is in compliance with reporting and remitting all unclaimed property to the State. After the audit/examination process is completed, the contractor prepares the unclaimed property report in proper format, reviews it for accuracy and compliance, and forwards the report and remittance matching the report to the Department.
- O. "Contractor-Assisted Self-Audit" means the contractor assists and/or oversees the process whereby a holder performs a general ledger and/or securities self-audit. Other than as provided in paragraph 2.9(h), the contractor does not take physical custody of the financial records of the holder and does not perform an examination or audit of those records. The contractor informs the holder of the requirements of the unclaimed property laws, details of the reporting requirements, provides the necessary information to the

holder or holder's agent regarding unclaimed property and the reporting process and provides other necessary guidance and assistance to the holder so that the holder can accurately perform the self-audit. Upon the holder's completion of the self-audit and preparation of the unclaimed property report by the holder, the contractor reviews the report for completeness, proper format and compliance and forwards the report and remittance to the department once the report has been determined by the contractor to be complete, in proper format and in compliance with Chapter 717, Florida Statutes, and the duly promulgated rules of the Department.

## 1.0 INTRODUCTION

### *1.1 Statement of Need*

Chapter 717, Florida Statutes ("FS"), provides that the Department of Financial Services, on behalf of the State of Florida, shall be responsible for the administration and enforcement of the "Florida Disposition of Unclaimed Property Act." In order for the Department to properly administer and enforce the law, it is necessary to seek reporting compliance from holders of unclaimed property throughout the United States of America. This reporting compliance will be enhanced by Contractor's performing one or more of the following: 1) a general ledger audit of the financial records of the holder for unclaimed property codes other than "SC" and "DM"; 2) A securities audit of the financial records of the holder for "SC" and "DM" unclaimed property codes; or 3) by overseeing a contractor-assisted self-audit procedure. The Contractor will be performing these services on behalf of the Department to audit for, locate, identify and deliver unreported unclaimed property which is past due along with identifying and reporting the owner information that is due the State of Florida. The Department has determined that the utilization of one or more Contractors in the identification, authorization, audit, oversight of a self-audit, collection and delivery of unclaimed property, as it relates to holders, is in the best interest of the Department. This document deals with the identification, authorization, audit, oversight of a self-audit, collection, and delivery of unreported unclaimed property due the State of Florida under Chapter 717, FS, from holders whose principal place of business is in the United States of America.

## 2.0 SCOPE OF SERVICES

The Contractor shall locate persons and/or entities believed to be holding or in possession of property which is past due and is subject to the report and delivery to the State of Florida. The Contractor shall identify unclaimed property by (a) performing an audit of the financial records and supporting documents of holders to identify all categories of reportable past due property due to the Department in accordance with **Sections 2.1 through 2.6** or (b) overseeing a contractor-assisted self-audit for unreported unclaimed property liability due to the Department in accordance with **Sections 2.7 through 2.12**.

## CONTRACTOR GENERAL LEDGER AND/OR SECURITIES AUDIT OF HOLDER

### *2.1 Identification –General Ledger and/or Securities Audit*

The purpose of the General Ledger and/or Securities Audit is to utilize the resources of contracted auditors to physically inspect/examine/audit the financial records of holders of unclaimed property, who are not reporting unclaimed property, or who may not be reporting unclaimed property or who may be underreporting unclaimed property, to ensure compliance, regarding all property types, with the unclaimed property statutes of the State of Florida; to complete audit reports; and to file the properly-completed reports and remittance with the Department. The Contractor shall research and identify potential holders of unreported and under-reported unclaimed property, of all property types, that is past due. The Contractor shall determine whether the holder has previously reported unclaimed property to the Department and the types of unclaimed property reported, if applicable. The Contractor shall identify the holder's state of incorporation and principal place of business. If the holder's state of incorporation and the principal place of business are in states other than Florida, the Contractor shall attempt to obtain authorization from those states' unclaimed property programs to participate in the audit of the holder's records when seeking authorization from the Department.

### *2.2 Authorization –General Ledger and/or Securities Audit*

The Contractor shall obtain prior written authorization from the Department to conduct an audit of the financial records of each holder proposed for audit. Unless expressly stated to the contrary in the written authorization, for holders that have never reported unclaimed property to Florida, audit authorizations will only be approved for property which is past due. Property is past due if the property has reached its dormancy period and has not been reported and remitted to the Department as required by Chapter 717.117, F.S. Authorizations to conduct audits of holders of unclaimed property will only be approved, and fees will only be paid, for property that is past due as of the date the authorization to audit is granted by the Department. (By way of example, pursuant to Chapter 717.117, each year a holder must remit and report unclaimed property on or before April 30 for unclaimed property that reached its dormancy period during the preceding calendar year, or prior. If such property is not remitted and reported by April 30, it is past due. If the Department authorized an audit on September 30, 2006, the audit is only approved, and fees will only be paid, for property that reached its dormancy period during the 2005 calendar year and prior calendar years. By contrast, if the Department authorized an audit on January 30, 2006, the audit is only approved, and fees will only be paid, for property that reached its dormancy period during the 2004 calendar year and prior calendar years.)

Unless expressly stated to the contrary in the written authorization, for holders that have previously reported unclaimed property to Florida, audit authorizations, if approved, will only be approved for property that is one year or more past due.

For holders that have previously been audited for unclaimed property by the State of Florida, or on behalf of the State of Florida, authorizations to conduct audits will only be approved on a case by case basis.

The Contractor shall certify in writing that the Contractor has not, within 3 years before the date of the Contractor's request for authorization, had a business relationship with the holder.

The Contractor shall, at a minimum, provide to the Department the following information about the holder:

- a) Names of all business entities (general ledger audit) or specific securities issues (securities audit) to be audited including subsidiaries and any affiliated companies whether or not they are subject to the audit.
- b) Address (physical and mailing), contact person, and telephone number of the holder's principal place of business as determined by the latest annual report or filed Form 10-K or other such probative evidence.
- c) Name, address, contact person, and telephone number of the holder's transfer agent, if applicable.
- d) State(s) of incorporation of the holder and its subsidiaries and affiliated companies.
- e) Scope of the audit. The Contractor shall indicate to the Department whether the scope will include a general ledger audit and a securities audit or whether the scope will include a general ledger audit only or a securities audit only.
- f) A copy of any prior written agreements entered into between the Contractor and the holder within the last two years.

Upon receiving a written request from the Contractor, the Department will determine whether participation in the audit is in the best interest of the State of Florida and may provide full or partial authorization to proceed with the audit. The Department, in its sole discretion, may deny the request if the holder has been audited, is currently being audited, is scheduled for an audit, has reported unclaimed property to the Department previously, has been approved for a contractor-assisted self-audit, has requested to enter into a voluntary disclosure agreement with the Department, or if it would be in the best interest of the Department to conduct the audit using the Department's staff, another Contractor, or not conduct the audit of the holder. The granting of such authorization shall not give the Contractor the legal right to audit the holder to the exclusion of other Contractors or the Department.

The Department may direct the Contractor to conduct an audit of a holder's or its transfer agent's records.

### ***2.3 Auditing –General Ledger and/or Securities Audit***

After receipt of the written authorization letter from the Department, the Contractor shall schedule an opening conference with the holder within 90 days of the date of the Department's authorization letter. The Contractor shall notify the Department and the holder of the date and location of the opening conference at least 45 days prior to the conference or as otherwise agreed upon by the Contractor and the holder. Prior to the opening conference, the Contractor shall provide the holder with a copy of each of the following items:

- a) Florida's Procedures for State Authorized Unclaimed Property General Ledger and Securities Audits and Contractors-Assisted Self-Audits Conducted by Contractors.
- b) A confidentiality agreement.
- c) The executed contract between the Department and the Contractor.

At the opening conference, the Contractor shall:

- d) Identify the time period to be covered by the audit, the estimated length of time for the audit to be completed, and describe the general audit methods to be employed, including sampling and estimation.
- e) Identify, in writing, the Department's liaison to whom the Contractor is accountable, including their full name, title, address, telephone number, facsimile number, and e-mail address, and advise the holder that it is free to discuss the audit directly with the liaison at any time regarding allegations of misconduct, unethical behavior, or significant disagreement relating to legal authority.
- f) Identify, in writing, the name of each state participating with whom the Contractor has a current and valid executed written agreement to audit and report unclaimed property. It is the option of the holder to provide the Contractor with records relating to unclaimed property belonging to states other than Florida.
- g) Identify, in writing, each and every senior employee, representative, and agent who will participate in the audit and the approximate number of persons to be on-site at the holder's location if an on-site audit is to be conducted by the Contractor.
- h) Explain the holder's right to dispute the audit findings.
- i) Arrange for an on-site or off-site audit of records of all property types.
- j) Fully disclose to the holder its fee arrangement with the Department.
- k) Explain that the holder shall remit to the Contractor any unclaimed property identified during the audit as owing 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.
- l) Explain and describe the components of the audit, which will typically involve the following phases: basic corporate information gathering; how and where the records are to be produced; devising the audit program; obtaining and detailed testing of holder records; calculation of unclaimed property liability; and closing the audit.

The audit shall be conducted by the Contractor in accordance with this document , the standards established by the Florida Statutes and the Florida Administrative Code.

The Contractor will use its best efforts to conclude the audit in the time frame set forth in the audit schedule provided at the opening conference. Extensions of the time frame to conduct the audit resulting from a scheduling conflict, providing records, and other factors may be accommodated by mutual agreement between the Contractor and the holder. The Contractor shall notify the holder and the Department whenever it intends to vary from the time frame presented to the holder at the opening conference.

The Contractor's off-site or on-site audit team shall be supervised by a member of the Contractor's staff who is or has:

- a) Qualified to supervise the audit; and
- b) A permanent member of the Contractor's staff (as contrasted with an employee hired only to perform the audit); and
- c) At least 5 years of unclaimed property audit experience in the United States; or
- d) At least 5 years of senior-level public accounting experience. "Senior Level" is

defined as at least 5 years of full-time public accounting experience. “Public accounting experience” is defined as performing tax, audit, management consulting or accounting work.

## ***2.4 Processing –General Ledger and/or Securities Audit***

The audit of the holder’s records shall be completed within one year from the date of the Department’s authorization letter unless there are extenuating circumstances that are entirely beyond the control and management of the Contractor and the holder. The Contractor shall prepare and submit monthly work-in-progress reports to the Department on each audit being conducted on behalf of the Department. These reports shall, at a minimum, include the following information:

- a) Name of holder.
- b) Federal Employer Identification Number.
- c) Date of the opening conference with the holder.
- d) Date of last contact with holder.
- e) Audit period.
- f) Records to be audited i.e. general ledger audit records or securities audit records, or both.
- g) Status of the audit (i.e. records being reviewed, property delivered, etc.).
- h) Any relevant comments regarding any unusual circumstances surrounding the audit, difficulties encountered thus far, or difficulties anticipated during the audit process.

During the audit of the records, the Contractor shall obtain the following owner information from the holder’s or its transfer agent’s records for the property due to the Department: name, address, taxpayer identification number, and date of birth of the owner, date of last contact, and account number. The Contractor shall work closely with the holder to obtain this owner information. Owner information must be maintained in compliance with Sections 119.072 and 717.717(8), and 717.1301, FS. If the owner information is not available, the Contractor shall document their efforts to obtain the information from the holder and provide a description of its efforts with the report. Reports from the Contractor with insufficient owner information will be reviewed and returned to the Contractor if the Department determines that the report does not contain sufficient owner information or sufficient documentation from the Contractor describing its efforts to obtain the owner information from the holder. If the Contractor cannot provide the owner information or acceptable justification for its failure to obtain such information to the Department, the Contractor shall refund its fee for the report to the Department upon notification.

Prior to receiving payment, the Contractor must complete the audit and make a representation to the Department that the report of the audit has been completed by the Contractor in accordance with the requirements of this document, the standards established by the Florida Statutes and the Florida Administrative Code and that the holder has been informed in writing of its obligation to perform due diligence pursuant to Chapter 717, FS.

The Contractor, upon completion of the initial examination of the holder’s records, must instruct the holder, and holder’s transfer agent, if applicable, to file all future reports directly



with the State of Florida, pursuant to Florida reporting requirements.

Florida will not pay a fee for subsequent reports where the principal/responsible company is examined for additional mergers, acquisitions or exchanges. Exceptions may be granted by the Department, in writing, on a case-by-case basis.

## ***2.5 Collection –General Ledger and/or Securities Audit***

The Contractor shall schedule a closing conference with the holder. The Contractor shall notify the Department and the holder of the date and location of the closing conference at least 45 days prior to the conference or as otherwise agreed upon by the Contractor and the holder. Prior to the closing conference, the Contractor shall provide a copy of the preliminary findings of the audit to the holder for its review.

All property received by the Contractor must either be deposited in an interest-bearing account earning current market rates or must be deposited in an account where earnings credits will be calculated at a market rate which is not less than that which would be earned in an interest bearing account. The interest earned shall be paid to the Department when the unclaimed property is remitted to the Department or earning credits may be provided as an offset against fees for services rendered if required by federal law. If the property consists of securities, bonds, or other related property, the Custodian shall keep such property in a physically secure location.

## ***2.6 Delivery –General Ledger and/or Securities Audit***

All property received by the Contractor or Contractor's agent must be turned over to the Department within 30 days of reconciliation or within 120 days of receipt, whichever occurs first. The failure to deliver unclaimed property to the Department within 30 days of reconciliation or 120 days after receipt shall result in additional accrued interest to be paid by the Contractor to the Department when the unclaimed property is remitted at the rate of 12 percent per annum beginning on the 31st day after reconciliation or the 121<sup>st</sup> day after receipt and shall accrue up to the date the unclaimed property is received by the Department.

The holder shall deliver all tangible property such as contents of safe deposit boxes directly to the Division of Unclaimed Property in Tallahassee. The Contractor shall not take custody of these items nor shall the Contractor invoice the Department for the value of such property, but shall instruct the holder to remit those items to the Department pursuant to Chapter 717.

**GENERAL LEDGER AUDIT:** Upon completion of the general ledger audit of each holder, the Contractor shall prepare and provide to the Department, in a form acceptable to the Department, a comprehensive and accurate report that, at a minimum, includes:

- a) The name and address of the holder.
- b) The federal employer identification number of the holder.
- c) A listing of property types with the amounts to be reported for each.
- d) A total of the amounts to be reported.
- e) The audit period.
- f) A narrative summarizing the audit findings; and

- g) Other relevant comments regarding issues that have arisen or are expected to arise within the course of the audit process.

**SECURITIES AUDIT:** Upon completion of the securities audit of each holder or holder transfer agent, if securities are to be reported, the Contractor shall prepare and provide to the Department, in a form acceptable to the Department, a comprehensive and accurate report that, at a minimum, includes:

- a) Name of security.
- b) Class of security.
- c) CUSIP number.
- d) Description of security.
- e) Number of shares for each issue.
- f) Maturity date and interest, as applicable.
- g) Market value at receipt by the Contractor, as applicable; and
- h) Other relevant comments regarding issues that have arisen or are expected to arise during the course of the securities review process.

**SAFE DEPOSIT BOX.** Upon completion of the audit of each holder, if the contents of a safe deposit box is to be reported, the Contractor shall prepare and provide to the Department, in a form acceptable to the Department, a comprehensive and accurate report that, at a minimum, includes:

- a) The total number of safe deposit boxes reported.
- b) The box owner's (renter) name and address.

**FINAL REPORT FORMAT.** Upon completion of the audit of each holder, the Contractor shall prepare and provide to the Department a report via an electronic medium. The report shall be comprehensive and accurate. The securities shall be transferred via Depository Trust Corporation ("DTC") to the Department's stock custodian. A separate record shall be created for each reported property type for each owner or each separate securities issue belonging to the same owner.

**WRITTEN AGREEMENT(S).** The Contractor shall provide a copy of any written agreement(s) between the holder and the Contractor that were executed during the audit period when submitting the final report to the Department.

**GENERAL LEDGER CERTIFICATION.** The contractor shall execute and submit a general ledger certification. Payment is contingent upon compliance with:

- a) The general ledger audit requirements of this document; and
- b) The general ledger audit requirements of the 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; and
- c) The execution and the submission a general ledger certification to the Department.

INVOICE. The Contractor shall remit an invoice for a completed audit to the Department upon the delivery of the property. The invoice shall contain sufficient detail for a proper pre-audit and post-audit thereof. The Invoice shall contain, at a minimum, the following information: holder name, holder's address, holder's federal employer identification number, holder's state of incorporation, cash value for each property type, the Contractor's fee for each property type (netted from cash value), net cash value, and amount remitted. In addition to the above, securities audit invoices should also include the CUSIP number, Number of shares and the billable share value.

## CONTRACTOR-ASSISTED SELF-AUDIT OF A HOLDER

### *2.7 Identification – Contractor-Assisted Self-Audit*

The purpose of the Contractor-Assisted Self Audit is to utilize the resources of contracted auditors to assist the Department in the outreach, education and notifying of potential holders of unclaimed property (that have never reported to the State of Florida) regarding the subject of unclaimed property and of the holders' obligation to file unclaimed property reports and remit unclaimed property to the Department; to assist holders in becoming familiar with the reporting requirements and processes; to assist the holders in properly and accurately completing their reports; and to file the properly-completed reports and remittances with the Department. The Contractor shall research and identify potential holders of unreported unclaimed property that is past due. The Contractor shall determine whether the holder has previously reported unclaimed property to the Department and the types of unclaimed property reported, if applicable. The Contractor shall identify the holder's state of incorporation and principal place of business.

### *2.8 Authorization – Contractor-Assisted Self-Audit*

The Contractor shall contact or solicit holders who have never reported unclaimed property to the State of Florida to participate in the contractor-assisted self-audit. If a holder agrees to participate in the self-audit, the Contractor shall request and obtain prior written authorization from the Department to oversee a contractor-assisted self-audit to be conducted by a holder. Unless expressly stated to the contrary in the written authorization, contractor-assisted self-audit authorizations will only be approved for property which is past due. Property is past due if the property has reached its dormancy period and has not been reported and remitted to the department as required by Chapter 717.117, F.S. Authorizations to conduct audits of holders of unclaimed property will only be approved, and fees will only be paid, for property that is past due as of the date the authorization to audit is granted by the Department. (By way of example, pursuant to Chapter 717.117, each year a holder must remit and report unclaimed property on or before April 30 for unclaimed property that reached its dormancy period during the preceding calendar year, or prior. If such property is not remitted and reported by April 30, it is past due. If the Department authorized an audit on September 30, 2006, the audit is only approved, and fees will only be paid, for property that reached its dormancy period during the 2005 calendar year and prior calendar years. By contrast, if the Department authorized an audit on January 30, 2006, the audit is only approved, and fees will only be paid, for property that reached its dormancy period during the 2004 calendar year and prior calendar years.)

The Contractor shall certify in writing, signed by the Contractor and the holder, that the Contractor has not, within 3 years before the date of the Contractor's request for authorization, had a business relationship with the holder.

The Contractor shall provide written justification and a contractor-assisted self-audit plan to the Department for the contractor-assisted self-audit to be conducted by a holder, or both. The Contractor must submit a copy of any executed written agreement for the contractor to conduct a contractor assisted self-audit with the holder, or both, with the authorization request prior to the commencement of the contractor-assisted self-audit of the records of the holder that includes the following information:

- a) Name, address (physical and mailing), contact person, and telephone number of the holder's principal place of business as determined by the latest annual report or filed Form 10-K or other such probative evidence.
- b) Names of all business entities to be included in the contractor-assisted self-audit audited including subsidiaries and any affiliated companies whether or not they are subject to the contractor-assisted self-audit.
- c) Name, address, contact person, and telephone number of holder's transfer agent, if applicable.
- d) Property types to be included in the contractor-assisted self-audit.
- e) Scope of the contractor-assisted self-audit; and
- f) Statement that clearly states that the Contractor represents the Department and the contractor-assisted self-audit is being conducted on behalf of the Department.

If the holder has agreed to the contractor-assisted self-audit but has refused to enter into a written agreement, the Contractor shall provide the Department with the information identified above with the authorization request.

Upon receiving a written request from the Contractor, the Department will determine whether participation in the contractor-assisted self-audit is in the best interest of the State of Florida and may provide full or partial authorization to proceed with the contractor-assisted self-audit. The Department, in its sole discretion, may deny the request if the holder, is currently being audited or is performing a contractor-assisted self-audit, has reported unclaimed property to the Department previously, has been approved for a contractor-assisted self-audit, has requested to enter into a voluntary disclosure agreement with the Department, if the Department has decided to discontinue the contractor-assisted self-audit process, or if it would be in the best interest of the Department to conduct the holder self-audit using the Department's staff, another Contractor, or not conduct the contractor-assisted self-audit of the holder. The granting of such authorization shall not give the Contractor the legal right to conduct a contractor-assisted self-audit of the holder to the exclusion of other Contractors or the Department.

## ***2.9 Audit – Contractor-Assisted Self-Audit***

After receipt of written authorization from the Department, the Contractor shall, within 90 days:

Conduct an opening conference with the holder, or

Conduct a opening teleconference with the holder, or

Provide an orientation/overview/instructions packet to the holder.

(All materials/information/instructions given by the Contractor to the Holder shall be approved in advance by the Department. Once approved, no changes shall be made by the Contractor to this material/information/instructions without prior approval by the Department.)

The Contractor shall provide the holder with a copy of each of the following items:

- a) Florida's Procedures for State Authorized Unclaimed Property General Ledger and Securities Audits and Contractors-Assisted Self-Audits Conducted by Contractors.
- b) The executed contract between the Department and the Contractor.

The Contractor shall:

- c) Identify the time period to be covered by the contractor-assisted self-audit, the estimated length of time for the audit to be completed, and describe the general methods to be employed, including sampling and estimation.
- d) Identify, in writing, the Department's liaison with the Contractor, including their full name, title, address, telephone number, facsimile number, and e-mail address; and advise the holder that the holder is free to discuss the audit directly with the liaison at any time regarding allegations of misconduct, unethical behavior, or significant disagreement relating to legal authority.
- e) Identify, in writing, each and every senior employee, representative, and agent of the Contractor who will participate and be available to assist the holder in the contractor-assisted self-audit, including those who will review the holder's audit report, unclaimed property report and file the holder's report and remittance with the Department.
- f) Fully disclose to the holder the Contractor's fee arrangement with the Department.
- g) Explain that the holder shall report and remit to the Contractor any unclaimed property identified during the contractor-assisted self-audit that is owed to the State of Florida (unless the property consists of contents obtained from safe deposit boxes, which shall be remitted directly by the holder to the Department).
- h) Explain the responsibilities of the contractor in the contractor-assisted self-audit process, which will typically involve the following phases: 1) the contractor will gather and document basic corporate information; 2) the contractor will review the financial statements in order to advise the holder of the types of property to be included in the contractor-assisted self-audit; 3) the contractor will review the self-audit analysis prepared by the holder; 4) the contractor will assist in the preparation of the unclaimed property report; and 5) the contractor will prepare a final report to close the contractor-assisted self-audit; and 6) that the contractor will review the holder's final report, and submit the final report and remittance to the Department.
- i) Explain to the holder that participation in the contractor-assisted self-audit does not exempt the holder from being audited in the future if the Department deems an audit is warranted.

Oversight of the contractor-assisted self-audit shall be conducted by the Contractor

pursuant to this document, standards established by the Florida Statutes and the Florida Administrative Code.

The Contractor will use its best efforts to educate, advise, and assist the holder to conduct and conclude the contractor-assisted self-audit in the time frame set forth in the schedule provided at the outset of the audit. Extensions of the audit periods resulting from a scheduling conflict, providing records, and other extenuating factors may be accommodated by mutual agreement between the Contractor and holder, if approved by the Department. The Contractor shall notify the holder and the Department whenever it intends to vary from the procedures presented to the holder during the opening conference and/or contained in the orientation packet.

The Contractor's self-audit team shall be supervised by a member of the Contractor's staff who is or has:

- a) Qualified to supervise the contractor-assisted self-audit; and
- b) A permanent member of the Contractor's staff (as contrasted with an employee hired only to perform the contractor-assisted self-audit); and
- c) At least 5 years of unclaimed property field review and audit experience employed by a state in the United States; or
- d) At least 5 years of senior-level public accounting experience. "Senior Level" is defined as at least 5 years of full time public accounting experience. "Public accounting experience" is defined as performing tax, audit, management consulting or accounting work.

## ***2.10 Processing – Contractor-Assisted Self-Audit***

The contractor-assisted self-audit of the records of the holder shall be completed within one year from the date of the Department's authorization letter unless there are extenuating circumstances that are entirely beyond the control and management of the Contractor and the holder. The Contractor shall prepare and submit monthly work-in-progress reports to the Department on each contractor-assisted self-audit being conducted on behalf of the Department. These reports shall, at a minimum, include the following information:

- a) Name of holder and holder's transfer agent, if applicable.
- b) Federal Employer Identification Number.
- c) Date of the opening conference with the holder.
- d) Date of last contact with holder.
- e) Contractor-assisted self-audit period.
- f) Property types to be identified in the contractor-assisted self-audit.
- g) Status of the contractor-assisted self-audit.
- h) Any relevant comments regarding any unusual circumstances surrounding the contractor-assisted self-audit, difficulties encountered thus far, or difficulties anticipated to arise during contractor-assisted self-audit process.

During the review and analysis of the contractor-assisted self-audit reports provided by the holder, the Contractor shall determine if the following owner information is available from

the records of the holder for the property due to the Department: name, address, taxpayer identification number, and date of birth of the owner, date of last contact, and account number. The Contractor shall work closely with the holder to obtain this owner information. Owner information must be maintained in compliance with Sections 119.072 and 717.717(8), and 717.1301, FS. If the owner information is not available, the Contractor shall document their efforts to obtain the information from the holder and provide a description of its efforts with the report. Reports from the Contractor with insufficient owner information will be reviewed and returned to the Contractor if the Department determines that the report does not contain sufficient owner information or sufficient documentation from the Contractor describing its efforts to obtain the owner information from the holder. If the Contractor cannot provide the owner information or acceptable justification for its failure to obtain such information to the Department, the Contractor shall refund its fee for the report to the Department upon notification.

Prior to receiving payment, the Contractor must make a representation to the Department that the report of the contractor-assisted self-audit has been completed by the holder in accordance with the requirements of this document, the standards established by the Florida Statutes and the Florida Administrative Code and that the holder has been informed in writing of its obligation to perform due diligence pursuant to Chapter 717, FS.

The Contractor, upon completion of the initial examination of the holder's records, must instruct holder or holder's transfer agent to file all future reports directly with the State of Florida, pursuant to Florida reporting requirements. Florida will not pay a fee for subsequent reports where the principal/responsible company is examined for additional mergers, acquisitions or exchanges.

## ***2.11 Collection – Contractor-Assisted Self-Audit***

The Contractor shall schedule a closing conference or teleconference with the holder. The Contractor shall notify the Department and the holder of the date and location of the closing conference or teleconference at least 45 days prior to the conference or as otherwise agreed upon by the Contractor and the holder.

All property received by the Contractor must either be deposited in an interest-bearing account earning current market rates or must be deposited in an account where earnings credits will be calculated at a market rate which is not less than that which would be earned in an interest bearing account. The interest earned shall be paid to the Department when the unclaimed property is remitted to the Department or earning credits may be provided as an offset against fees for services rendered if required by federal law. If the property consists of securities, bonds, or other related property, the Custodian shall keep such property in a physically secure location.

## ***2.12 Delivery – Contractor-Assisted Self-Audit***

All property received by the Contractor or Contractor's agent must be remitted over to the Department within 30 days of reconciliation or within 120 days of receipt, whichever occurs first. The failure to deliver unclaimed property to the Department within 30 days of reconciliation or 120 days after receipt shall result in additional accrued interest to be paid by the Contractor to the Department when the unclaimed property is remitted at the rate of 12 percent per annum beginning on the 31<sup>st</sup> day after reconciliation or the 121<sup>st</sup> day after receipt and shall accrue to the date the unclaimed property is received by the Department.

The holder shall deliver all tangible property such as contents of safe deposit boxes directly to the Division of Unclaimed Property in Tallahassee. The Contractor shall not take custody of these items nor shall the Contractor invoice the Department for the value of such property but shall instruct the holder to remit those items to the Department pursuant to Chapter 717.

**GENERAL LEDGER SELF-AUDIT REPORT.** Upon completion of the contractor-assisted self-audit of each holder, the Contractor shall prepare and provide to the Department, in a form acceptable to the Department, a comprehensive and accurate report that, at a minimum, includes:

- a) The name and address of the holder.
- b) The federal employer identification number of the holder.
- c) A listing of property types with the amounts to be reported for each.
- d) A total of the amounts to be reported.
- e) The contractor-assisted self-audit period.
- f) A narrative summarizing the contractor-assisted self-audit findings; and
- g) Other relevant comments regarding issues that have arisen or are expected to arise within the course of the contractor-assisted self-audit process.

**SECURITIES SELF-AUDIT REPORT.** Upon completion of the contractor-assisted self-audit of each holder or holder transfer agent, if securities are to be reported, the Contractor shall prepare and provide to the Department, in a form acceptable to the Department, a comprehensive and accurate report that, at a minimum, includes:

- a) Name of security.
- b) Class of security.
- c) CUSIP number.
- d) Description of security.
- e) Number of shares for each issue.
- f) Maturity date and interest, as applicable.
- g) Market value at receipt by the Contractor, as applicable; and
- h) Other relevant comments regarding issues that have arisen or are expected to arise during the course of the contractor-assisted self-audit process.

**SAFE DEPOSIT BOX.** Upon completion of the contractor-assisted self-audit of each holder, if the contents of a safe deposit box are to be reported, the Holder shall prepare and the Contractor shall review and provide to the Department, in a form acceptable to the Department, a



comprehensive and accurate report that, at a minimum, includes:

- a) The total number of safe deposit boxes reported.
- b) The box owner's (renter) name and address.

**FINAL REPORT FORMAT.** Upon completion of the contractor-assisted self-audit of each holder, the Contractor shall provide to the Department a report via an electronic medium. The contractor-assisted self-audit report shall be comprehensive and accurate and include the appropriate cash and securities. The holder contractor-assisted self-audit must include property types that holders in the same line of business regularly report. 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 must state that the holder has been informed in writing of its obligation to perform due diligence pursuant to Chapter 717, FS.

The securities shall be transferred via Depository Trust Corporation ("DTC") to the Department's stock custodian. A separate record shall be created for each reported property type for each owner or each separate issue of security belonging to the same owner.

**INVOICE.** The Contractor shall remit an invoice for a completed contractor-assisted self-audit to the Department upon the delivery of the property. The invoice shall contain sufficient detail for a proper pre-audit and post-audit thereof. The invoice shall contain, at a minimum, the following information, if applicable: holder/issue name, holder's address, holder's federal employer identification number, holder's state of incorporation, CUSIP number, cash value for each property type, number of shares, billable share value for each property type, the fee for each property type, net cash value, and amount remitted.

### 3.0 DEPARTMENT RESPONSIBILITIES AND AUTHORITY

The responsibilities and authority of the Department are as follows:

- a) The Department shall maintain proprietary rights to all general ledger audits, securities audits and contractor-assisted self-audit records, indemnification agreements, release of liability agreements, and all other records relating to all audits and contractor-assisted self-audits performed by the Contractor on behalf of the Department.
- b) The Department shall have final authority in authorizing the Contractor(s) to perform a general ledger audit, securities audit or contractor-assisted self-audit of the records of a holder, withdraw from a general ledger audit, securities audit or contractor-assisted self-audit of the records of a holder, reassign a general ledger audit, securities audit or contractor-assisted self-audit of the records of a holder, and terminating an authorized general ledger audit, securities audit or contractor-assisted self-audit of the records of a holder.
- c) The Department retains the right to direct the Contractor to conduct a general ledger audit, securities audit or contractor-assisted self-audit of the records of a particular

holder whenever it deems it necessary to carry out its responsibilities and duties under Chapter 717, FS.

- d) The decisions of the Department shall be final and binding on both parties in the event of any doubt or differences of opinion as to the procedures to be used or the services to be furnished by the Contractor.
- e) If a holder refuses to provide access to the records or will not enter into a written agreement to conduct a general ledger audit, securities audit or contractor-assisted self-audit of the holder's records or if the holder breaches the written agreement to conduct a general ledger audit, securities audit or contractor-assisted self-audit of the records of the holder, the Contractor shall inform the Department in writing. If the Department agrees that a general ledger audit, securities audit or contractor-assisted self-audit appears to be justified, the Department shall send a letter to the holder requesting the holder enter into an agreement on a voluntary basis with the Contractor and alerting the holder that the failure to cooperate may result in the imposition of applicable penalties, interest, and audit fees. If the holder still declines access to its records or to enter into an agreement with the Contractor within 90 days of the Department's letter, or breaches the agreement, this RCPS no longer applies with regard to that holder. In such an event, the Department's options include, but are not necessarily limited to, taking legal action against the holder or contracting with a private attorney recommended by the Contractor to take legal action against the holder.

## 4.0 CONTRACTOR RESPONSIBILITIES

The responsibilities of the Contractor are as follows:

### *4.1 No Compensation from the Holder or Holder Transfer Agent*

The Contractor or its staff shall not solicit, accept, contract for or receive compensation in any form or manner from any holder for whom the Contractor has received the Department's authorization to conduct a general ledger audit, securities audit or contractor-assisted self-audit pursuant to this document either during the general ledger audit, securities audit or contractor-assisted self-audit; or within one year from the date of the Department's authorization or 3 years before the date of the Department's authorization for the general ledger audit, securities audit or contractor-assisted self-audit of the holder.

### *4.2 Off-site or On-Site Review and Audit*

The Contractor shall conduct an off-site or on-site general ledger audit, securities audit or oversee a contractor-assisted self-audit of the records of the holder. The Contractor and its employees shall conduct such general ledger audits, securities audits or oversight of a contractor-assisted self-audits in a manner that will cause a minimal disruption of the regular business activities and hours of the holder.

### *4.3 Audit Procedure Manual*

The Contractor shall maintain a procedures manual that shall relate to the identification of the holder's unclaimed property liability, specifically procedures related to how the Contractor will address the following issues: the nonexistence of owners' addresses, out-of-proof records,

unclaimed underlying shares of stock bankruptcies, and the appropriateness of release of liability and indemnification. The manual shall also include procedures on cooperation with on-going state audits, case law, audit procedures, dormancy periods, reporting periods, the methodology of estimation techniques, and other compliance techniques. The procedure manual must include the contractor-assisted self-audit process if the contractor intends to request authorization to oversee self-audits.

#### **4.4 Custodian**

The Custodian must be a federal or state licensed financial institution located in the United States of America. All property received by the Contractor must either be deposited in an interest-bearing account earning current market rates or must be deposited in an account where earnings credits will be calculated at a market rate which is not less than that which would be earned in an interest bearing account. The interest earned shall be paid to the Department when the unclaimed property is remitted to the Department or earning credits may be provided as an offset against fees for services rendered if required by federal law. If the property consists of securities, bonds or tangible property, the Custodian shall keep such property in a physically secure location.

#### **4.5 Consultations**

The Contractor shall maintain a full-time, professionally staffed office located in the United States of America, which shall be the official point of contact with the Contractor. The office and staff shall be accessible and available to the Department during regular working hours in order to respond to inquiries and concerns. The Contractor shall provide assistance to the Department regarding audits conducted by employees of the Department.

#### **4.6 Participation as Witness**

The Contractor and its staff must be available to participate in any future judicial or administrative proceedings pertaining to the services provided pursuant to this document.

#### **4.7 Working Papers**

The Contractor shall properly document its general ledger audit and/or securities audit and make the working papers gathered during the general ledger audit and/or securities audit available on demand for review by the Department. Such working papers will include planning information and all related calculations, statistical analyses, and summarizations.

#### **4.8 Board Minutes**

The Contractor shall furnish the minutes of all board meetings that affect the policy of identifying, auditing, reviewing, processing, collection and delivery of the unclaimed property to the Department within 30 days of said meetings. The Contractor shall not apply any proposed inter-state policies to a general ledger audit, securities audit or contractor-assisted self-audit conducted on behalf of the State of Florida unless the Department has approved the policy.

#### ***4.9 Services Specified***

The Contractor shall provide and complete all services as specified in **Section 2**, Scope of Services of this document in a timely and professional manner.

#### ***4.10 Bond***

The Contractor shall maintain a fidelity bond, financial guaranty bond, fidelity insurance or other financial guaranty from an entity licensed in the State of Florida which provides protection to the Department against theft, loss, or other illegal diversion of funds by the Contractor or its employees and agents in the amount of \$100,000. The language and terms of the bond, insurance or financial guaranty must have been pre-approved by the Department.

### **5.0 GENERAL PROVISIONS**

#### ***5.1 Payment and Invoicing***

The Contractor shall remit an invoice as described in **Sections 2.6 and 2.12** for a completed general ledger audit, securities audit and contractor-assisted self-audit to the Department upon the delivery of the property. The invoice shall contain sufficient detail for a proper pre-audit and post-audit thereof.

The Department intends to pay the Contractor pursuant to the provisions of Sections 287.058 and 287.0582, FS, and as specified in this document. The Contractor shall be responsible for all costs for products or services that the Contractor has authorized and incurred. The Contractor shall deduct its fee from the unclaimed property received from the holder. The State of Florida's performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature.

#### ***5.2 Indemnity Agreement***

The Department may upon request of the holder enter into indemnity agreements with the holder pursuant to Section 717.1201(5), FS, regarding the actual unclaimed property remitted to the Department.

#### ***5.3 Survey***

The Department shall utilize the responses by holders to survey questions as a factor in the Department's determination whether to renew the contract. The Department shall issue the surveys randomly. Survey responses will be considered a public record.

#### ***5.4 Warranties of Contractor***

The Contractor must covenant and warrant as follows:

1. It is lawfully organized and constituted under all federal, state, and local laws, ordinances, and other authorities of its domicile and is otherwise in full compliance with all legal requirements of its domicile.
2. It is possessed of the legal authority and capacity to enter into and perform the contract.
3. It has been duly authorized to operate and do business in the State of Florida and all places where it will be required to conduct business under the contract; that it has

obtained, at no cost to the State of Florida, all necessary licenses and permits required in connection with the contract; and that it will fully comply with all laws, decrees, labor standards, and regulations of its domicile and such other location where performance may occur during the term of the contract.

4. It has no present interest and shall not acquire any interest, which would conflict in any manner with Contractor's duties and obligations under the contract. The commodities and services rendered shall in all respects conform to, and function in accordance with, the specification and designs requested in this document.
- 5.

### ***5.5 Documents, Data, or Information Obtained by the Contractor***

The Contractor, its agents or employees, shall not enter into any arrangement or agreement with any other person for the release or review of any information obtained from a general ledger audit, securities audit or contractor-assisted self-audit regarding unclaimed property owed to the State of Florida. Unless otherwise directed by the Department, the Contractor, its agents or employees, shall not release, or allow to be reviewed, any records or any information obtained from records related to unclaimed property owed to the State of Florida. The Contractor, its agents or employees, shall not do any act that would give a registrant, or a registrant's employer, a competitive advantage over another registrant. An audit is not complete until it has been processed and added to the unclaimed property database subsequent to a determination by the Department that the report is accurate and that the reported property is the same as the remitted property.

### ***5.6 Termination of Authorization to Examine a Holder***

Authorization to perform a general ledger audit, securities audit or contractor-assisted self-audit of a holder shall be terminated by the Department if:

1. The Contractor or its employees or agents have violated or has induced the holder to violate any provision of Chapter 717, FS.
2. The Contractor or its employees or agents have made a material misrepresentation or omission to the holder, an agent or employee of the holder, or to the Department.
3. The Contractor has breached the agreement between the Contractor and the Department.
4. The actions of the Contractor or its employees or agents are such that the good name, governmental reputation, or business reputation of the Department is damaged or may be damaged. Such actions include, but are not limited to, criminal acts, rude or boorish behavior in the presence of the holder or in communications to the holder; unnecessarily confrontational conduct in the presence of the holder or in communications to the holder; or disruptive, antagonistic, or uncooperative attitude in the presence of the holder or in communications to the holder; threatening the imposition of interest, fines or penalties if the holder fails to conduct a contractor-assisted self-audit; failure to cooperate in Departmental investigation; falsification of records; making a false statement; harassment; misdemeanor or felony conviction; negligence; rudeness to the public; sexual harassment; substandard quality of work; theft or attempted theft or aiding others in theft or attempted theft; and threatening or abusive language.

If the Department becomes aware that any one or more of the events or violations outlined in **section 5.6** have occurred, the Department shall inquire into the matter. If there is

evidence that one or more events outlined in **section 5.6** have in fact occurred, the Department shall terminate authorization to perform a general ledger audit, securities audit or contractor-assisted self-audit of the holder or holder's agent and the Contractor shall cease to conduct the general ledger audit, securities audit or contractor-assisted self-audit of the records of the holder on behalf of the State of Florida.

The Department may subsequently authorize the Contractor to continue the general ledger audit, securities audit or contractor-assisted self-audit upon terms and conditions satisfactory to the Department and the holder; authorize another Contractor to conduct the general ledger audit, securities audit or contractor-assisted self-audit of the records of the holder; conduct the general ledger audit, securities audit or contractor-assisted self-audit of the records of the holder itself using the Department's employees; or decide to refrain from auditing the records of the holder.

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