



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: March 30, 2016

TO: John Roberts, Director, State Budget Office
Mary Ann Cleary, Director, House Fiscal Agency
Ellen Jeffries, Director, Senate Fiscal Agency
Rep. Laura Cox, House Appropriations General Government Subcommittee
Sen. Jim Stamas, Senate Appropriations General Government Subcommittee

FROM: Nick Khouri, State Treasurer

SUBJECT: Enrolled Senate Bill No. 133 of 2015, Sec. 919.3

The following is the report of the required review of the unclaimed property audit procedures per the above mentioned bill. Specifically, Sec. 919.3 states:

“the department of treasury shall complete a review of its unclaimed property audit procedures in an effort to streamline the process. The department of treasury shall seek input from interested parties involved in the unclaimed property process. The department of treasury shall meet with businesses to discuss and propose an expedited audit procedure that allows Michigan residents and businesses the opportunity to regain their property but expedites the audit timeline and minimizes the impact on businesses that are subject to an unclaimed property audit. The department of treasury has 6 months to complete this review and evaluate the feasibility of developing expedited audit procedures as an alternative to current audit process. The audit process shall include at a minimum the option for business to choose whether to use the streamlined process or the existing audit procedure. By March 31, 2016, the department shall issue a report to the state budget director, the house and senate subcommittees that oversee general government, and the house and senate fiscal agencies. The department shall present the findings of the report before a joint meeting of the house and senate subcommittees on general government.”

As required by the boilerplate language, the Department began the process of working with stakeholders to review current practices. Ultimately a workgroup was formed which included the department as well as four business stakeholders familiar with the current unclaimed property process. The workgroup was charged with the goal of determining ways to improve the process going forward.

The result was Senate Bill 538, signed by the Governor on December 22, 2015, which provides the opportunity for eligible Michigan companies to participate in the streamlined audit process. To become eligible, the company has 30 days to enter into a non-disclosure agreement (NDA)

with the auditor. After this, the company and Treasury will develop an audit schedule with a goal of completing the audit within 18 months.

The workgroup worked collaboratively to determine improvements to accommodate a streamlined audit process. These improvements include:

1. Only properties, with the exception of stocks, bonds and dividends, with a value greater than \$25 are subject to reporting. A threshold didn't exist prior to this.
2. The period under examination is 4 years rather than 10 years.
3. The examination shall not include checks voided within 180 days of issuance. (Current practice does not include checks voided within 30 days of issuance.)
4. Treasury staff will be present at all streamlined examination entrance meetings.
5. Delineation of examination selection factors will be in promulgated rules.

The streamlined audit process has been implemented in the majority of those audits which are eligible. Outreach to those holders who may qualify for the streamlined audit process is ongoing.

Please let us know if you have questions or need further information.

CC: Joseph Fielek, Deputy State Treasurer, Financial and Administrative Services
Sally Durfee, Chief of Staff, Office of Executive Administration