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March 11, 2022

Members of the Audit Subcommittee  
of the Legislative Commission  
Legislative Building  
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In July 2020, we issued an audit report on the Office of the State Treasurer (Office), Unclaimed Property Program. The Division filed its plan for corrective action in November 2020. Nevada Revised Statutes 218G.270 provides that the Office shall issue a report within 6 months after the plan for corrective action is due, outlining the implementation status of the audit recommendations.

Enclosed is the 6-month report prepared by the Office on the status of the ten recommendations contained in the audit report. As of April 16, 2021, the Office indicated all ten recommendations were fully implemented. Based on our review of the 6-month report and documentation provided by the Office, we have determined all ten recommendations are fully implemented. Therefore, we have no questions for agency officials.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Daniel Crossman".

Daniel L. Crossman, CPA  
Legislative Auditor

DLC:smy  
cc: The Honorable Zach Conine, Nevada State Treasurer  
Kirsten Van Ry, Chief of Staff, Office of the State Treasurer  
Tara Hagan, Chief Deputy Treasurer, Office of the State Treasurer  
Linda Tobin, Deputy Treasurer of Unclaimed Property, Office of the State Treasurer

# **SIX-MONTH REPORT**

**Zach Conine**  
State Treasurer



**STATE OF NEVADA**  
**OFFICE OF THE STATE TREASURER**

To: Daniel Crossman, CPA  
Legislative Auditor  
Legislative Counsel Bureau

From: Zach Conine  
Nevada State Treasurer

Date: April 16, 2021

Subject: Legislative Audit of the Office of the State Treasurer  
Unclaimed Property Program

On September 3, 2020, the Legislative Counsel Bureau released an audit report on the Unclaimed Property Division ("Division"). On November 25, 2020, the State Treasurer's Office submitted our Corrective Action Plan to you. NRS 218G.270 provides that within 6 months after submission of the plan, our Office is to report to the Legislative Auditor on the measures taken to comply with the audit findings.

Ten recommendations were contained in the report. The extent of the Division's compliance with the audit recommendations is as follows:

**Recommendation 1**

*Develop policies and procedures for the timely processing of unclaimed property holder reports and payments.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in an adopted Policy and Procedure, detailed desk manual and work performance standards have been adopted and implemented,

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**STATE TREASURER PROGRAMS**

Governor Guinn Millennium Scholarship  
Program  
Nevada Prepaid Tuition Program  
Unclaimed Property  
College Savings Plans of Nevada  
Nevada College Kick Start Program  
Education Savings Account (ESA)

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including monthly supervisory review of system generated reports to ensure reports and receipts are being processed timely and/or adequately documented. The backlog of reports and receipts that were noted during the audit have been processed, approved, or continue to be actively followed-up on with adequate documentation.

### **Recommendation 2**

*Ensure proper segregation of duties and documentation is maintained when deleting holder reports from the unclaimed property system.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in a detailed desk manual which outlines the process for adequately documenting the justification and approval process for deleting a report, has been drafted and implemented. System access rights to delete a report were changed to limit this function to only be accessible by the Deputy Treasurer and Management Analyst IV. A monthly audit is performed by the Auditor III, who is independent of the deletion process, to ensure all deleted reports have been properly documented and authorized in accordance with the desk manual.

### **Recommendation 3**

*Develop, update, and implement policies and procedures over the fast-track claims review process, including monitoring claim reports.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in a new Policy and Procedure, detailed desk manual and audit checklist, have been adopted and implemented. A fast-track audit is performed at least weekly prior to payment being made on the claims to verify the accuracy of the automated approval function. Quarterly audits were developed and implemented which include reviewing all claims for unusual activity, such as reviewing for multiple claims being mailed to the same address and unrelated claims being generated from a common IP Address.

### **Recommendation 4**

*Ensure policies and procedures regarding the monitoring of system edit reports are followed, and the editing and review functions are properly segregated.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in a new Policy and Procedure and detailed desk manual, which outlines adequately documenting the justification and approval for editing property data has been drafted and implemented. System access right to edit

properties were revised to limit this function to only three (3) staff members. A quarterly audit, as documented in an adopted Policy and Procedure, is performed by the Auditor III, who is independent of the edit process, to ensure all property edits have been properly documented and authorized in accordance with the desk manual.

### **Recommendation 5**

*Work with the system vendor to improve edit reports to provide sufficient information to ensure oversight and monitoring activities can be performed efficiently.*

Status – Fully Implemented

Agency Actions – Edit audit reports which document changes to sensitive system property data have been modified to include both the “before” and “after” presentation of the edited information. All four (4) of the reports have been revised and are utilized in conjunction with the quarterly audit of property edits, as noted in Recommendation 4 Agency Actions.

### **Recommendation 6**

*Develop policies and procedures to ensure system access privileges are periodically reviewed for appropriateness, changes are adequately documented, and a current access listing is properly maintained.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in a new Policy and Procedure, which outline adequately documenting the justification and approval processes for establishing and maintaining user provisions, segregation of duties for assigning the various layers of user provisions, periodic auditing for changes and maintenance of a current access listing have been drafted and implemented.

All changes to, and justifications for, user provisions are documented on the Access Form which are retained by IT. Through collaboration with the system vendor, new reporting has been created which shows a full history of changes made to user provisions, at all layers, and who/when changes were made. These reports are used by IT monthly, to ensure all changes have been properly documented and justified, along with confirmation that the access listing remains current. Any exceptions are documented and followed up on. Results of this review are communicated to senior management, independent of IT and the Deputy Treasurer.

The current access listing compiles, by job position, all layers of user provisions which collectively determine what features and functions an individual user can access and use within the system. A full review of the access listing to verify proper provisions, by job position, is periodically performed with results being documented and communicated to senior management, independent of IT and the Deputy Treasurer.

### **Recommendation 7**

*Segregate Duties over user access privileges.*

Status – Fully Implemented

Agency Actions – The system is bifurcated between SQL Roles, which can only be assigned by IT and are necessary for every action performed within the system, and Security Groups and User Roles, which determine which applications a user has access to and what features a user can perform within the system are assigned by the Deputy Treasurer.

SQL Roles are assigned, changed and accessible by only the IT department. IT assigns SQL Roles for new hire setup, and any changes to existing roles are requested from IT through an Access Form which documents reason and need for the changes. If a user has not been assigned a given SQL Role, they cannot perform any related functions, regardless of the Security Groups or User Roles they may have.

Security Groups and User Roles are assigned by the Deputy Treasurer. For a new user, roles and groups to be assigned are documented on the Access Form and forwarded to IT. Changes to groups or roles are also documented on an Access Form, documenting the reason for change, and forwarded to IT. Monthly, IT runs system generated change reports and matches changes to the Access Forms to ensure all changes are documented and appropriate permissions are granted.

### **Recommendation 8**

*Establish controls to ensure an accurate inventory of safe deposit box contents is maintained, including following up on property inventory reconciliation discrepancies.*

Status – Fully Implemented

Agency Actions – Timing on inventory processing and reassignment of a non-claims team member to the safekeeping team have been implemented to allow the safekeeping team more time and flexibility to process inventory, which facilitates fewer errors. Additionally, the timing of the annual independent safekeeping audit has been rescheduled to follow once the current year intake has been completed, but prior to the current year's auction preparation. This allows all inventory in custody to be subjected to two annual inventory tests and increases the probability of each property of being sampled and reviewed for accuracy. Corrections are made in the system whenever noted.

### **Recommendation 9**

*Comply with statute when processing cash received in unclaimed safe deposit boxes.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in an adopted Policy and Procedures and detailed desk manual, require the processing of cash from a safe deposit box immediately upon receipt of the property. This includes opening a box to remove and deposit cash and reseal the box until a full inventory intake can be performed. The safekeeping inventory sheet, which is completed by Holders and submitted in conjunction with physical property, was revised to encourage Holders to more prominently indicate when the contents include cash.

### **Recommendation 10**

*Develop policies and procedures to ensure processing and recording of safe deposit boxes is done as soon as practicable.*

Status – Fully Implemented

Agency Actions – Revised procedures, documented in a new Policy and Procedure have been adopted and implemented. The policy outlines priorities for resource allocation between processing claims and safekeeping. A non-claim processing team member was also reassigned to the safekeeping team and provides additional resources to more timely process inventory after being received.

# **AUDIT HIGHLIGHTS**



# Audit Highlights



Highlights of performance audit report on the Unclaimed Property Program issued on September 3, 2020.

Legislative Auditor report # LA20-16.

## **Background**

The Unclaimed Property Program (Program) is responsible for collecting unclaimed property, locating property owners, and auditing businesses to ensure they have reported unclaimed property in their possession. The primary mission of the Program is to return abandoned property to the original owners or their heirs. According to the Treasurer's annual report, the State held about \$853 million in unclaimed property at the end of fiscal year 2019.

Unclaimed property can include anything of value owed to an individual or a business. Property is considered unclaimed when there has been no activity or contact with the owner for a specific period. Any entity or person in possession of property that belongs to a Nevada resident is considered a holder of unclaimed property. After unsuccessful attempts to contact the owner, the property must be turned over to the State.

The Program maintains a searchable database of unclaimed property available to the public on the Treasurer's website. The reported owner, an estate, a lawful heir, or a duly authorized representative may file a claim for unclaimed property.

All unclaimed property received by the Program is recorded in the Abandoned Property Trust Account. Money is used to pay claims and fund the Program. Remaining balances in the Account are distributed to the Millennium Scholarship Trust Fund, Educational Trust Fund, and General Fund.

## **Purpose of Audit**

The purpose of the audit was to evaluate the Program's processes for collecting, administering, and returning unclaimed property. Our audit focused on Program activities for fiscal year 2019, and included some information from fiscal year 2018.

## **Audit Recommendations**

This audit report contains ten recommendations to strengthen the processes for collecting, administering, and returning unclaimed property. The State Treasurer accepted the ten recommendations.

## **Recommendation Status**

The Program's 60-day plan for corrective action is due on December 3, 2020. In addition, the 6-month report on the status of audit recommendations is due on June 3, 2021.

# Unclaimed Property Program

## Office of the State Treasurer

### **Summary**

The Unclaimed Property Program can strengthen certain processes over entities reporting abandoned property and claims to recover assets. Internal controls over the reporting process do not ensure unclaimed property reports and payments are processed timely. The Program's lack of enforcing policy for submitting unclaimed property payments via its online reporting system contributed to unprocessed reports and payments. Further, the Program lacked sufficient oversight of its automated claims system to ensure system reports were monitored for fraud and that the system was functioning properly. Stronger controls can help the Program ensure unclaimed property is promptly processed.

The Program can improve controls over the unclaimed property system and inventory. Specifically, controls are needed to ensure edits to critical data documenting ownership of unclaimed property are appropriate. Additionally, the Program should segregate duties over system and user access. Finally, inventory controls are needed for processing and recording safe deposit box contents in the unclaimed property system. Strong controls will help protect system data from unauthorized use and modifications and ensure safe deposit box contents are safeguarded.

### **Key Findings**

We identified a backlog of 397 unclaimed property reports received between fiscal years 2016 and 2019. We tested 37 of the 397 unprocessed unclaimed property reports and found for 16 or 43% of the reports, Program staff did not perform timely research to identify why the report was not processed, and 7 or 19% of the reports reappeared in the system after being processed and removed by staff. Timely processing of unclaimed property reports is important to ensure collection of payments from the holders. (page 6)

The Program needs to revise internal controls to segregate duties and maintain appropriate documentation for the deletion of holder reports from the unclaimed property system. Eight of ten reports revealed the same person deleted the report and approved the transaction. Additionally, most lacked sufficient documentation to substantiate the reason for deleting the report. (page 7)

The Program did not ensure payments were received and posted timely in the unclaimed property system. The Program did not post 358 payments totaling \$374,000 in property, dividends, and sales of unclaimed securities collected between fiscal years 2016 and 2019. The time frame payments were unposted ranged between 128 days to about 4 years. When unclaimed property payments are not posted, the property is not assigned to its rightful owner in the state's unclaimed property system. (page 8)

The Program's manual review of fast track claims was insufficient. Policies were not detailed or sufficient to ensure automatic processes were functioning as intended. The Program strengthened its process in April 2019 after our inquires. The revised review process identified one instance when the system inappropriately released a claim to the wrong person and two instances where criteria used by the fast track system was inappropriate. (page 11)

The Program was not reviewing fast track claims reports developed in response to our prior audit. The Program developed two reports to monitor fast track claims in response to the fraud identified. However, the Program did not sustain implementation of the recommendation and could not provide evidence the reports were being generated or reviewed. (page 11)

Property data edits in the unclaimed property system were not reviewed as recommended in our 2010 and 2015 audits. The purpose of reviewing edits is to verify inappropriate changes are not being made to data in the system. (page 13)

The Program did not adequately monitor access to its unclaimed property system. Routine reviews of system access were not performed and a current list of authorized users was not maintained. (page 14)

The Program did not maintain accurate and complete inventory records for the contents of unclaimed safe deposit boxes. We tested 35 safe deposit boxes and were unable to locate 14 items from 4 of the 35 boxes tested. Additionally, our observation of the Program's vault identified 6 of 20 savings bonds not recorded in inventory. (page 15)

Cash submitted with the contents of safe deposit boxes was not deposited in accordance with statute. In fiscal year 2019, a total of \$84,000 in cash was recovered from unclaimed safe deposit boxes. We found the cash deposits associated with these safe deposit boxes were made between 28 to 132 days late. Additionally, it took the Program between 27 and 163 days to record tangible items contained in safe deposit boxes. (page 16)