



Unclaimed Property Program's Alternative Owner Notification Means Is Cost-Effective

at a glance

- The unclaimed property program's efforts to identify owners through database matching and then notify them of their unclaimed property through direct mail appears to have saved approximately \$99,000 during Fiscal Year 1998-99.
- However, the department has not developed an accurate means of tracking the cost and effectiveness of each notification method it uses.
- The Legislature has not amended the law to protect owners of unclaimed property from paying unnecessary fees for heir finder agreements.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Banking and Finance in response to a 1997 OPPAGA report.^{1,2} This report presents our assessment of the extent to which the

department has addressed the findings and recommendations included in our report.

Background

Unclaimed property constitutes any funds or other property, tangible or intangible, that has remained unclaimed by the owner for a certain number of years. Unclaimed property may include savings and checking accounts, money orders, travelers' checks, uncashed payroll or cashiers' checks, stocks, bonds, other securities, insurance policy payments, refunds, security and utility deposits, and contents of safe deposit boxes. Banks, insurance companies, and other holders of unclaimed property must submit unclaimed property to the Florida Department of Banking and Finance annually.

Under the Florida Disposition of Unclaimed Property Act, the department's Unclaimed Property Program is responsible for receiving property from holders, safeguarding this property, locating the rightful owners, and returning property to them.³ The department is authorized to make a one-time attempt to notify owners of unclaimed property. Owners have the right to claim their property at any time.

¹ Section 11.45(7)(f), Florida Statutes.

² *Review of the Abandoned Property Program within the Department of Banking and Finance*, OPPAGA [Report No. 97-24](#), December 1997.

³ Chapter 717, Florida Statutes.

Exhibit 1 details the program's activities for Fiscal Years 1996-97 and 1997-98.

**Exhibit 1
Unclaimed Property Program Activities**

	Fiscal Years	
	1996-97	1997-98
Reported Owner Accounts	418,736	305,034
Remitted Property	\$157 mil	\$111 mil
Paid Owner Claims	37,550	54,276
Property Returned to Owners	\$33.6 mil	\$52.6 mil

Source: Reports provided by the Department of Banking and Finance, which provide activity through June 30, 1999.

All funds from unclaimed property, including proceeds from the sale of safe deposit items and securities, are deposited into the Abandoned Property Trust Fund. The trust fund entirely finances program operations and pays owner claims. The department retains a balance in the trust fund to enable prompt claim payments. The remaining unclaimed funds are transferred into the State School Fund to support public education. During Fiscal Year 1999-2000, the program was appropriated \$3.7 million and 39 full-time employees.

Prior Findings

Owner Notification

Prior to 1996, the department was required to publish the names of owners of unclaimed property in their respective local newspapers for all accounts \$50 or greater. The 1996 Legislature modified the Unclaimed Property Act to permit the department to use alternative means for owner notification, such as direct mail and electronic media. The 1996 law also increased the minimum value of owner accounts requiring notice and publication from \$50 to accounts greater than \$100.

Our prior report evaluated several approaches for notifying owners of the

existence of unclaimed property. We determined that identifying owners through database matching and then notifying them by direct mail was more cost-effective than notifying the owners through newspaper advertisements and also resulted in increased owner recovery of property.

To ensure the most cost-effective method of notifying owners of unclaimed property is used, we recommended that the program use database matching and the direct mail method as much as practicable. To allow the department to assess the cost-effectiveness of these methods, we also recommended that the program track the success and cost of each notification method it uses.

Privatization

Based on its projection that the 1996 statutory changes would significantly increase its workload for notifying owners and processing claims, the department planned to privatize major functions of the program during Fiscal Year 1997-98. In our prior review, we examined the department's proposed contract and determined that the department's cost and workload projections were overstated. The department subsequently dropped its plans to privatize. However, we concluded that it would be feasible to privatize all or portions of program operations if better workload and cost projections were developed.

To ensure that any future efforts to privatize will provide the desired benefits for the state, we recommended that the program continue its efforts to develop new estimates of workload and assess the best and most cost-effective methods to carry out this work. To ensure that any privatization proposal is based on a sound cost-benefit analysis that accurately projects workload and costs, we also recommended that any program proposal be reviewed by an

independent entity (e.g., the department's internal auditor).

Heir Finder Fees

Our prior report also analyzed a policy issue. In addition to the state program, private investigative agencies, commonly referred to as heir finders, attempt to locate owners of unclaimed property in order to offer services for recovery of the property. Heir finders will contract with owners, generally on a percentage fee basis, to complete and file the paperwork necessary for the department to process claims.

The Unclaimed Property Act establishes a period of time heir finders must wait before contacting owners whose property has been reported to the state. The intent of the law is to provide an opportunity for the department to notify owners before heir finders.⁴ Heir finders are required to disclose these requirements in their agreements to ensure owners are apprised of their rights.

The provision that the agreement is "unenforceable" if signed within the time limitations offers little protection to owners who are parties to such agreements. The department is not able to enforce the statutory time period restrictions, as it is not a party to the agreement. However, solely relying on owners to apply statutory restrictions may be unreasonable, as it is questionable whether owners will know when their property was reported to the state because the date the property was reported is not included in the agreement.

To protect owners of unclaimed property from paying unnecessary fees for heir finder agreements, we recommended that the

Legislature amend s. 717.135, Florida Statutes, to provide that heir finder agreements are void if they do not include the required disclosures or if they violate the required time periods.

Current Status _____

Recommendations to the Agency

Owner Notification

The program has contracted with the credit company EquiFax to match the social security numbers of unclaimed property owner records to accounts on their database. Owners identified through database matching are then notified of their unclaimed property through direct mail. While the department lacks complete data on the fiscal impact of this change, available data indicates that this method provides an apparent savings of approximately \$3 per case over newspaper advertising, which would have produced an estimated savings of \$99,000 during Fiscal Year 1998-99.

However, the department has not developed an accurate means of tracking the cost and effectiveness of each notification method it uses. Program staff hope to develop a computer system in the near future that will allow such an assessment. To ensure the most cost-effective method for notifying owners of unclaimed property is used, we recommend that the program continue its efforts to implement a system that will track the success and cost of each notification method it uses.

Privatization

The program does not currently have any plans for privatization. However, should such plans be developed, the program staff indicate that they will be reviewed by the

⁴ According to the law, such agreements shall be unenforceable if made within 90 days after the department attempted notification, or made within 12 months after the property is reported to the department, whichever occurs first. The law also requires that the agreements contain this disclosure, printed in at least six point bold type.

department's inspector general to ensure the desired benefits for the state will be realized.

Recommendations to the Legislature

Heir Finder Fees

The Legislature has not amended the law to provide that heir finder agreements are void if they do not include the required disclosures or if they violate the required time periods. This change in language would allow the program to deny the payment of claims that do not comply with the time requirements identified in law. To protect owners of unclaimed property from paying unnecessary fees for heir finder agreements, we again recommend that the Legislature amend s. 717.135, Florida Statutes, to replace the word “unenforceable” with the word “void.”

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