271-001-C: ESCHEATMENT POLICY

I. Introduction

The theory of escheatment provides that until the rightful owner is located, all citizens of
the state, rather than an individual holder, derive benefits from the unclaimed property.
Unclaimed property law stems from early English common law where unclaimed
property would escheat, or revert, to the king upon abandonment. In the United States,
each state develops laws for abandoned property and escheatment. In modern times, a
custodial theory has replaced confiscation and the meaning of escheatment has broadened
to include property of all kinds and descriptions that remits to the state for lack of
individual ownership. In general, if a person or entity has a legal or equitable right to the
property, then a state’s unclaimed property law governs it.

California’s Unclaimed Property Law requires corporations, business associations,
financial institutions, and insurance companies to annually report and deliver abandoned
or unclaimed property to the Controller’s Office. Before property can be considered
abandoned or unclaimed, the holder must try to locate the owner. If the holder is unable
to locate the property owner, and if it has remained unclaimed for the specified dormancy
period, the holder must report and deliver the property to the Controller’s Office.

II. Policy

The University Corporation at Monterey Bay (“University Corporation”) will comply
with the California Unclaimed Property Law, Civil Code Procedure Title 10, Chapter 7
§1500 et seq. Auxiliary Accounting will be responsible for ensuring that the University
Corporation is in compliance with the California Unclaimed Property Law as well as for
putting processes and procedures in place to minimize escheatable property.

At the University Corporation Board meeting that occurs after the second report’s 15
June State reporting deadline, Auxiliary Accounting will present to the Board an
escheatment report on what, if anything, was escheated.

III. Terms and Definitions

A. Escheatment: The process of turning over unclaimed or abandoned property to
the state. The concept of escheatment has been around for several centuries and
over time, escheatment has been expanded to cover situations in which a payee or
creditor cannot be located for payment purposes.
B. *Unclaimed Property*: Any financial asset that has been left inactive by the owner for three years or more if payment was for goods and/or services and for one year or more if wages, payroll, salary.

The California Unclaimed Property Law does NOT include real estate.

C. *Dormancy Period*: A period of time, as defined by state law, during which property remains unclaimed.

D. *Holder*: Any person in possession of property belonging to another, or who is trustee in case of a trust, or in indebted to another on an obligation.

E. *Owner*: A depositor in case of a deposit, a beneficiary in case of a trust, or creditor, claimant, or payee in case of other choses in action, or any person having a legal or equitable interest in property, or his or her legal representative.

IV. **Policy Guidelines**

A. *Accounting Controls*: Auxiliary Accounting will establish appropriate accounting controls and procedures in order to limit escheatable property. This includes but is not limited to:

1. Maintaining proper accounting systems,
2. Developing controls to prevent credits from being absorbed,
3. Creating reports that identify and age on-account cash, outstanding checks, and open credit memos, and
4. Reconciling accounts and researching discrepancies on a regular basis.

B. *Reporting to the State*: Funds or property escheated to the state of California must be reported to the State Controller pursuant to California Code of Civil Procedure Title 10, Chapter 7 §1530.

1. Auxiliary Accounting will file the report using the form or format dictated by the State Controller and will include all information requested in Code of Civil Procedure Title 10, Chapter 7 §1530.
2. Auxiliary Accounting will file the report before 1 November of each year as of 30 June or fiscal year-end.
3. The University Corporation’s chief fiscal officer will verify the report prior to submission.
4. Auxiliary Accounting will file a second report between 1 June and 15 June of the following year confirming the remainder of unclaimed property, if any, which was not claimed after the initial report was filed. Unclaimed property will be remitted with the second report.
5. The University Corporation’s chief fiscal officer will verify the second report prior to submission.
6. If there is nothing to escheat, a report to the State is not required unless one is requested by the State in writing.

C. Records: Auxiliary Accounting will keep records pertaining to escheated funds or property for seven (7) years after such funds or property is reported to the State Controller, pursuant to California Administrative Code Title 2 – Subchapter 8 §1174.

D. Annual Report to the University Corporation Board of Directors: At the University Corporation Board meeting that occurs after the second report’s 15 June State reporting deadline, Auxiliary Accounting will present a report on what, if anything, was escheated to the State.

V. Adoption and Review

A. The University Corporation’s Board of Directors has adopted this Escheatment Policy, dated 17 April 2003.
1. Revised 24 June 2010
2. Revised 8 August 2013

B. This policy shall be evaluated ten years from its adoption date to determine its effectiveness and appropriateness. The policy may be evaluated before that time as necessary to reflect substantial organizational, financial, or physical change(s) at the University Corporation or any change required by law or by other governing policy.

Any proposed amendments or variations of this policy would require a majority approval by the University Corporation Board of Directors.

VI. Related Documents

A. Code of Civil Procedure: Title 10, Chapter 7 – Unclaimed Property Law

B. California Administrative Code: Title 2, Subchapter 8 – Unclaimed Property Regulations