



Office of Inspector General

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**The FDIC's Identification of and
Accounting for Unclaimed Deposits
Transferred to State Unclaimed
Property Agencies**





Federal Deposit Insurance Corporation
Washington, D.C. 20434

Office of Audits
Office of Inspector General

DATE: December 5, 2001

TO: Mitchell Glassman, Director
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SUBJECT: *The FDIC's Identification of and Accounting for Unclaimed Deposits Transferred to State Unclaimed Property Agencies* (Audit Report No. 01-024)

This report presents the results of the Office of Inspector General's (OIG) audit of the Federal Deposit Insurance Corporation's (FDIC) identification of and accounting for unclaimed deposits transferred to and due from state unclaimed property agencies. The audit objective was to determine whether the FDIC properly identified and accounted for unclaimed funds transferred from failed financial institutions to state unclaimed property agencies.¹ Specifically, the OIG reviewed the process that the FDIC's Division of Resolutions and Receiverships (DRR) and Division of Finance (DOF) used to identify and account for unclaimed deposits transferred to the FDIC and the former Resolution Trust Corporation (RTC)² from institutions that acquired failed banks and savings and loan associations. The FDIC and RTC subsequently transferred those unclaimed deposits to appropriate state unclaimed property agencies that accepted temporary custody of those funds for 10-year holding periods³ in compliance with the 1993 unclaimed deposits amendments (UDA) to the *Federal Deposit Insurance Act*.⁴ Appendix I provides additional details on our scope and methodology.

¹The District of Columbia is included in state unclaimed property agencies that accepted unclaimed deposits.

²As provided in the *RTC Completion Act of 1993*, the RTC went out of existence on December 31, 1995, and the FDIC took over its functions on January 1, 1996.

³Each 10-year holding period begins on the date that the FDIC or RTC transferred unclaimed deposits to a state agency.

⁴The 1993 unclaimed deposits amendments, Pub. L. No. 103-44, 107 Stat. 220 (1993), amended § 12 of the *Federal Deposit Insurance Act*, 12 U.S.C. § 1822(e). Appendix V provides a copy of the 1993 unclaimed deposits amendments.

The OIG issued a related report entitled *Audit of Abandoned Assets Held by States' Unclaimed Property Agencies* (audit report number A99-038, dated August 27, 1999). In that report, DRR and DOF agreed with the OIG's recommendations to implement procedures to obtain abandoned assets belonging to the FDIC and monitor possible future recoveries from state unclaimed property agencies related to abandoned properties.

BACKGROUND

UDA, which became effective on June 28, 1993, amended the *Federal Deposit Insurance Act* regarding procedures for owners of unclaimed deposits to file deposit claims against failed financial institutions. UDA provides requirements that affect the manner and time period within which owners of unclaimed deposits may obtain funds from the FDIC, institutions that acquired failed financial institutions, and state unclaimed property agencies. Before UDA became effective, if account owners did not claim their deposits from the FDIC within 18 months of an institution's failure date, the FDIC relegated those deposits to receivership claims with the same status as general creditors. After UDA became effective, owners of unclaimed deposits in "window period receiverships"—that is, those institutions that were closed between January 1, 1989 and June 28, 1993 but not terminated as of June 28, 1993—must claim their deposits from the FDIC before the Corporation terminates those receiverships. To help accomplish this, the FDIC has recently established a Web site database that contains information on these unclaimed deposits. For institutions closed after June 28, 1993, owners of unclaimed deposits have 18 months to claim those funds from the FDIC or acquiring institutions. If account owners do not claim deposits from acquiring institutions by the end of the 18-month period, the acquiring institutions must transfer all unclaimed funds back to the FDIC, as stated in applicable deposit transfer or purchase and assumption agreements.

For failed institutions taken into receivership after June 28, 1993 where the acquiring institutions returned unclaimed deposits to the FDIC, the Corporation transfers unclaimed deposits⁵ to the appropriate state unclaimed property agency. The appropriate state is the state of the last known address of a depositor appearing in the records of the failed financial institution. However, if a depositor's address cannot be identified to a state—that is, if it is a foreign address or no address can be found—then the FDIC transfers the unclaimed deposits to the state where the failed financial institution had its main office. The state maintains custody of the funds in accordance with its unclaimed property laws for 10 years from the date the FDIC transferred the funds. After the 10-year holding period, state unclaimed property agencies must return to the FDIC any funds that account owners have not claimed. If state unclaimed property agencies refuse to accept custody of the unclaimed deposits offered by the FDIC, the deposit owners can claim funds from the FDIC until the Corporation terminates the associated receiverships. After the FDIC terminates a receivership, depositors cannot make further claims to recover funds that they deposited in the associated failed financial institution.

⁵The FDIC turns over all unclaimed United States government-owned deposits to the U. S. Treasury rather than to state unclaimed property agencies. The FDIC transfers all other unclaimed deposits to the state unclaimed property agencies in states that agree to accept custody of the unclaimed deposits.

The FDIC developed—and the RTC adopted—the Unclaimed Deposits Reporting System (UDRS) as its automated system to comply with UDA tracking and reporting requirements. The RTC's *Claims Bulletin 05-09* dated September 28, 1995, and the FDIC's *Unclaimed Deposits Reporting System User Manual*, dated June 8, 1995, stated that UDRS was to provide an automated and uniform means of complying with UDA requirements and efficiently responding to customers. In October 1999, DOF began recording unclaimed deposits transferred to the states in the Corporate Accounts Receivable Management System (CARMS).

When the RTC ceased operations on December 31, 1995, the FDIC assumed the RTC's responsibilities for unclaimed deposits related to failed savings and loan associations in addition to its responsibilities for unclaimed deposits related to failed banking institutions. As of April 1, 2001, DRR had 154 receiverships that failed after June 28, 1993 and were, therefore, subject to UDA. Accordingly, the FDIC and former RTC may have transferred unclaimed deposits from at least 154 failed financial institutions to state unclaimed property agencies.

RESULTS OF AUDIT

The FDIC has not effectively identified, accounted for, and monitored unclaimed deposits transferred to state unclaimed property agencies. Although the FDIC has policies and procedures to identify and systems to account for unclaimed deposits, they have not been effective in ensuring that all unclaimed deposits transferred to state unclaimed property agencies were completely and accurately identified and recorded. Specifically, the FDIC's systems were not complete and accurate and did not agree on the amounts of unclaimed deposits transferred to state unclaimed property agencies. In addition, the amounts recorded in the FDIC's systems did not agree with amounts that state unclaimed property agencies reported to the OIG. Moreover, the FDIC has not adequately monitored state unclaimed property agencies to determine the amounts of unclaimed deposits that should be returned to the FDIC at the end of 10-year holding periods. We estimate that an additional \$1.4 million could be remitted to the FDIC if additional controls are established and consider this amount to be funds to be put to better use. This amount represents the net difference, reduced by the percentage of state-paid claims, between the FDIC's records and state-reported amounts for the 34 states and the District of Columbia that responded to our requests. Appendix IV shows the OIG's calculation of funds to be put to better use.

THE FDIC NEEDS TO RECONCILE ITS UNCLAIMED DEPOSITS TRACKING SYSTEMS

The FDIC's systems used to record unclaimed deposits—DRR's UDRS and DOF's CARMS—contained differences in total unclaimed deposits transferred to state unclaimed property agencies; and, therefore, the completeness, accuracy, and reliability of the systems are questionable. The FDIC developed UDRS as an automated means to record and track the status of all unclaimed deposits and efficiently respond to customer inquiries. However, because the FDIC's and RTC's offices did not always use UDRS to record unclaimed deposit data or

removed recorded data from the system when offices closed, the system did not include information on all unclaimed deposits transferred to state unclaimed property agencies. Although CARMS included more data on unclaimed deposits than UDRS, it also was not complete. In addition to the data maintained in UDRS and CARMS not agreeing, both systems also reported amounts different from those that state unclaimed property agencies reported to the OIG. Differences between the FDIC's internal systems and between those systems and state-reported data make the FDIC's data on unclaimed deposits transferred to state unclaimed property agencies unreliable. Without reliable data, the FDIC—as receiver for failed financial institutions—cannot ensure that states accurately return remaining unclaimed deposits to the FDIC at the end of the 10-year holding periods, the first of which expires in 2005.

DRR's Inconsistent Use of UDRS Affected Efforts to Identify Unclaimed Deposits

DRR was aware that UDRS was not complete and maintained hard-copy documentation to support some of the unclaimed deposits not included in that system. The differences between amounts recorded in UDRS and CARMS are partially attributable to the inconsistent use of UDRS by the former Western Service Center. The Western Service Center recorded unclaimed deposits in two separate systems—UDRS and an access database. In addition, DRR had removed some information previously recorded in UDRS from the system when the Western Service Center closed. DRR provided the OIG with reports from UDRS and the access database on June 15, 2001. However, we did not analyze that documentation because for some financial institution numbers (FIN), the reports did not break unclaimed deposits out by state. In addition, DRR officials stated that UDRS had previously included unclaimed deposits for the FDIC's former Northeast Service Center but that information was apparently removed from UDRS when that office closed.

DRR experienced significant problems in identifying, locating, and providing information to the OIG on unclaimed deposits transferred to state unclaimed property agencies and did not provide data on unclaimed deposits in a timely manner. DRR provided unclaimed deposit information on a total of \$29.6 million using various sources. Of the \$29.6 million in unclaimed deposits that the FDIC transferred to state unclaimed property agencies based on DRR records, UDRS included data on only \$9.5 million in automated format. The remainder of the \$29.6 million was composed of \$14.8 million from the former Western Service Center available in hard-copy UDRS reports and an access database and \$5.3 million from hard-copy UDRS reports that related to the former Northeast Service Center. In addition, some of DRR's information on unclaimed deposits was available by FIN only and not by state.

A DRR official stated that the division does not consider just the information in UDRS to be the system of record for unclaimed deposits. Instead, he stated that the system of record includes all information recorded in UDRS plus any information from local area network file servers, computer disks, tapes, and hard-copy printouts.

We disagree with this position. The RTC's *Claims Bulletin 05-09*, dated September 28, 1995, and the FDIC's *Unclaimed Deposits Reporting System User Manual*, dated June 8, 1995, define UDRS as the automated tracking and reporting system to provide an automated and uniform

means of complying with UDA. Maintaining a system of record that includes the variety of data sources cited above contributes to unreliable and nonuniform data and inaccurate management reporting. In addition, maintaining information in varied forms and locations rather than a centralized database contributed to DRR's inability to reliably retrieve data when needed. During our audit, DRR officials initiated a project to reconcile UDRS, the access database, and any documentation in hard-copy format.

DOF's Efforts to Identify Unclaimed Deposits

In 1997, DOF recognized the significance of identifying all unclaimed deposits transferred to state unclaimed property agencies and initiated a project to identify and record in CARMS all unclaimed deposits that the FDIC transferred to those agencies. DOF initiated the project by reviewing UDRS, which as of September 30, 1998, totaled about \$9 million. Because UDRS did not contain the complete universe of unclaimed deposits, DOF reviewed hard-copy documentation that DRR maintained. DOF also contacted individuals within the FDIC that might have knowledge of records that identified unclaimed deposits not included in UDRS. DOF identified additional unclaimed deposits totaling about \$20 million—for a total of about \$28.7 million—and between October 1999 and February 2000 loaded that information into CARMS. Because DOF captured all information that it located related to unclaimed deposits into a centralized automated database, it could readily generate reports on unclaimed deposits transferred to state unclaimed property agencies.

Although DOF made a concerted effort to identify and record in CARMS all unclaimed deposits that the FDIC transferred to state unclaimed property agencies, the accuracy of CARMS as well as UDRS was still questionable. We compared UDRS and CARMS data and identified unclaimed deposits in UDRS that were not in CARMS. For example, UDRS showed \$27,180 in unclaimed deposits from Franklin Federal Savings Association (FIN 1285) that were apparently transferred to the state of Missouri. However, DOF had not recorded the Franklin Federal unclaimed deposits in CARMS. Likewise, UDRS showed \$2,562 in unclaimed deposits from Zia New Mexico Bank (FIN 4635) that the FDIC may have transferred to the state of New Mexico that DOF had not recorded in CARMS. Accordingly, although CARMS data was more complete, neither UDRS nor CARMS contained the complete universe of unclaimed deposits that the FDIC transferred to state unclaimed property agencies. On May 31, 2001, a DOF official requested that we provide information on the missing unclaimed deposits to assist in correcting CARMS data. We provided that information to DOF on June 4, 2001.

Differences in FDIC and State-Reported Totals

In addition, state unclaimed property agencies reported receiving unclaimed deposit amounts that differed from the FDIC's records. Of the 35 agencies that responded to our requests—34 states and the District of Columbia—only nine reported amounts that agreed with the FDIC's records. However, officials from three of those nine states requested that the OIG provide the FDIC-reported amounts to them before they could respond to the OIG's requests. All of the 26 remaining states that responded to our requests reported receiving unclaimed deposits in

amounts that differed—some significantly—from the amounts that the FDIC reported transferring to those states. Specifically, those 35 responding agencies reported receiving a total of \$27,844,275 in unclaimed deposits compared to \$25,934,737 that DOF's records showed the FDIC transferring to those states. Of the 35 agencies that responded, 13 reported receiving \$2,661,823 more in unclaimed deposits than the FDIC reported transferring. Conversely, 13 reported receiving \$752,286 less in unclaimed deposits than the FDIC reported transferring. The remaining nine of the 35 responding agencies reported receiving the same amounts as the FDIC reported transferring. Accordingly, the state-reported totals differed from FDIC totals recorded in CARMS by a net difference of \$1,909,537. Appendix II shows the differences between the FDIC's records and state-reported totals for the 34 states and the District of Columbia that responded to our requests.

The states' responses indicated that millions of dollars could be available that the states should return to the FDIC at the end of the 10-year holding periods. Specifically, the District of Columbia and 34 responding state agencies reported paying \$6,789,070 in claims to account owners and holding \$21,055,205, an amount that—barring any additional claims—those entities should return to the FDIC after the 10-year holding periods end.

Table 1 shows the differences between the FDIC and state-reported amounts for the six states with the largest reported differences.

Table 1: Comparison of Selected FDIC and State-Reported Unclaimed Deposits

State	Reported by the FDIC in CARMS*	Reported by State	Difference
Texas	\$ 307,476	\$ 2,613,413	\$(2,305,937)
New York	638,328	280,186	358,142
California	13,376,734	13,193,214	183,520
Maryland	487,149	377,507	109,642
West Virginia	163,591	255,631	(92,040)
Florida	3,329,556	3,411,804	(82,248)
Totals	\$18,302,834	\$20,131,755	\$(1,828,921)

* Although UDRS is the FDIC's automated system to record and track unclaimed deposits, CARMS included more unclaimed deposits transferred to states.

Source: OIG analysis of state unclaimed property agencies' reports and CARMS data as of December 5, 2000.

For some of the reported differences, we determined the apparent causes for identified differences. The causes that we identified for differences in FDIC and state-reported unclaimed deposits follow for several states shown in table 1 above:

- CARMS showed that beginning in March 1995, the FDIC transferred \$307,476 in unclaimed deposits from 31 failed financial institutions to the state of Texas. However, Texas reported in its response to the OIG that it received transfers totaling \$2,613,413

for 38 institutions. Texas reported receiving transfers for 7 of those 38 institutions before March 1995, which could account for all or part of the \$2,305,937 difference.

- CARMS showed that the FDIC transferred \$638,328 in unclaimed deposits from 39 failed financial institutions to the state of New York during the period November 1995 through April 1998. However, New York reported in its response to the OIG that it received one transfer on July 16, 1996 for \$280,186 for one institution—Columbia Banking Federal located in Rochester, New York (FIN 1283). Accordingly, New York acknowledged receiving unclaimed deposit funds for only 1 of the 39 institutions reported by the FDIC, which could account for the \$358,142 difference.
- CARMS showed that the FDIC transferred \$3,329,556 in unclaimed deposits from 44 failed financial institutions to the state of Florida. However, Florida reported in its response to the OIG that it received \$3,411,804 for the 44 institutions. The difference of \$82,248 was attributable primarily to one transfer in April 1996 for one failed institution—Hollywood Federal Savings Bank (FIN 1298). For that institution, CARMS showed \$2,318,380 transferred while the state of Florida reported \$2,400,545—a difference of \$82,165.

In addition, some states that responded indicated they had not received unclaimed funds from the FDIC or had returned checks received to the Corporation. For example, a state of Alaska unclaimed property office official stated that—in addition to the unclaimed deposits confirmed to the OIG totaling \$9,899—the state received reports that the FDIC would transfer other unclaimed deposits totaling about \$161,000. However, the unclaimed property office official stated that Alaska never received the other unclaimed deposits. In addition, a state of Hawaii Department of Budget and Finance official said that the state accepted only one check for \$230 from the FDIC. The official added that the state had not accepted other checks that it received from the Corporation. However, CARMS showed that the FDIC transferred \$1,491 in unclaimed deposits from six institutions to the state of Hawaii. As of May 31, 2001, DOF's Bank Account Control Unit, which was reconciling unclaimed deposits recorded in CARMS, had identified at least \$100,000 in unclaimed deposit checks sent to state unclaimed property agencies that were not included in CARMS. The Bank Account Control Unit had also identified at least 78 other checks sent to state agencies that DOF had recorded in CARMS but determined the states had not cashed the checks.

Nine of the 44 unclaimed property agencies from which the OIG requested information did not respond to our request. Appendix III shows those nine states and the unclaimed deposits that CARMS reported the FDIC transferred to each one.

As previously mentioned, the net difference, reduced by the percentage of state-paid claims, was an estimated \$1.4 million. Promptly reconciling the unclaimed deposit differences between the FDIC-reported transfers to states and the state-reported receipts should help ensure that the states timely and accurately return any remaining unclaimed deposits at the end of the 10-year holding periods. Accordingly, we will report as funds to be put to better use an estimated \$1.4 million in our *Semiannual Report to the Congress* as the reduced net difference between the FDIC's

records and state-reported amounts for the 34 states and the District of Columbia that responded to our requests. Appendix IV provides the OIG's calculation of funds to be put to better use.

THE FDIC NEEDS TO MONITOR UNCLAIMED DEPOSITS TRANSFERRED TO STATE UNCLAIMED PROPERTY AGENCIES

The FDIC has not monitored unclaimed deposits that it transferred to states to ensure that amounts remaining unclaimed at the end of the 10-year holding periods are timely and accurately returned. Monitoring of unclaimed deposits should include obtaining certification from state unclaimed property agencies acknowledging amounts transferred and confirming that states received and understood the FDIC's requests for data on unclaimed deposits. In addition, the FDIC should periodically follow up with the state agencies to determine the status of unclaimed deposits and reinforce UDA requirements that states return unclaimed deposits to the FDIC at the end of the 10-year holding periods. However, our review of DRR's and DOF's correspondence files found no evidence that the FDIC had communicated with state unclaimed property agencies since unclaimed deposits were initially transferred to them. In addition, state unclaimed property agencies had not voluntarily provided reports to the FDIC. The lack of adequate and consistent monitoring could affect the FDIC's ability to ensure that state agencies comply with the UDA requirement to return any unclaimed funds remaining at the end of the 10-year holding periods.

The FDIC's *Claims Manual*, dated March 1994, and its subsequent revision in March 1996, provide specific guidance on the transfer of unclaimed deposits to state unclaimed property agencies and assign responsibility to DOF for monitoring unclaimed deposits transferred to state agencies. The *Claims Manual* did not provide guidance for DOF's monitoring of unclaimed deposits. However, the RTC's *Claims Bulletin 05-09*, dated September 28, 1995, on unclaimed deposits transferred under UDA states that DOF should request annual reports from state agencies in order to monitor unclaimed deposits. Those reports could have provided information on the amounts transferred to state unclaimed property agencies, claims paid to deposit owners by the state agencies, and remaining unclaimed deposits to be returned to the FDIC.

At the time the FDIC transferred unclaimed deposits to state unclaimed property agencies, DRR forwarded letters to those agencies outlining amounts transferred and, in some cases, provided general guidance on requested reporting. However, DRR provided inconsistent guidance to state unclaimed property agencies in its requests for reports. Specifically, DRR did not provide reporting guidance to all state unclaimed property agencies. Moreover, for those state agencies to whom DRR provided guidance, the guidance either varied regarding when and to whom to report or was unclear. For example:

- The FDIC transferred unclaimed deposits to the state of New Jersey in August 1996. DRR informed New Jersey's unclaimed property agency that as the end of the 10-year holding period approached, an FDIC representative would contact the state unclaimed property agency to facilitate the return of any remaining unclaimed deposits. Our review of DRR and DOF correspondence files indicated that there had not been any additional communication between the state of New Jersey and the FDIC since August 1996.

- Conversely, in April 1996, when the FDIC transferred unclaimed deposits to the state of New York, DRR requested that New York's unclaimed property agency provide annual reports on the status of those funds. In February 1997, New York requested that the FDIC provide a list of institutions from which it had transferred unclaimed deposits to the state of New York. However, we found no evidence of any subsequent reporting or additional correspondence between the state of New York and the FDIC after February 1997.
- Finally, when the FDIC transferred unclaimed deposits to the state of California in April 1997, the transmittal letter from the FDIC stated: “. . . the deposits must be returned to the FDIC immediately, if not claimed by their depositors within 10 years.”

Because of the inadequate or inconsistent reporting guidance that the FDIC provided, many state unclaimed property agencies may not be aware of UDA requirements. For instance, state unclaimed property agency officials from five states said that they were not aware of UDA and did not know that they were to return any remaining unclaimed deposits to the FDIC at the end of the 10-year holding period. Some state agency officials requested that we provide a copy of UDA to them for review because they were not aware of its provisions or their responsibilities under UDA. For example, before we explained the UDA requirements, one official from the state of Wisconsin said that according to Wisconsin law, any unclaimed deposits belong to Wisconsin residents; and, therefore, Wisconsin does not have to return those funds to the FDIC.

In January 1998, DRR and DOF recognized that the FDIC had not reconciled and tracked unclaimed deposits and began discussions to determine which division should handle those responsibilities. At that time, DRR believed that it would be necessary for the FDIC to contact state unclaimed property officials to obtain information on unclaimed deposits transferred to state agencies. However, we found no evidence that DRR or DOF had contacted any states regarding unclaimed deposits that the FDIC transferred to them under UDA.

CONCLUSIONS AND RECOMMENDATIONS

The FDIC has not effectively accounted for or monitored unclaimed deposits transferred to state unclaimed property agencies. The FDIC should reconcile UDRS and CARMS data on unclaimed deposits transferred to state agencies. In addition, the FDIC should ensure that its system of record provides an automated, uniform means of recording, tracking, and reporting on unclaimed deposits. Further, the FDIC should reconcile its data on unclaimed deposits transferred to state unclaimed property agencies with the state agencies' data. Finally, the FDIC should ensure that all states receiving unclaimed deposits have a clear and consistent understanding of UDA and the need for the FDIC to receive information on the status of unclaimed deposits. Accordingly, the FDIC should periodically communicate with state unclaimed property agencies on the status of the unclaimed deposits transferred to those agencies. Educating state unclaimed property agencies regarding UDA requirements and reconciling and monitoring unclaimed deposits transferred to them should ensure that states accurately and timely return all remaining unclaimed deposits at the end of the 10-year holding periods that begin to expire in 2005.

In August 1999, the OIG issued a report to DOF and DRR entitled *Audit of Abandoned Assets Held by States' Unclaimed Property Agencies* (audit report number A99-038). In that report, the OIG recommended that the FDIC remove assets held by states' unclaimed property agencies from the finders fee program that DRR operated and make DOF responsible for recovering those assets. As of May 2001, DOF's Bank Account Control Unit had recovered about \$5.3 million dollars and avoided paying finders fees to private individuals and firms for those assets. In recovering those assets, the Bank Account Control Unit has established contacts at state unclaimed property agencies that would facilitate monitoring FDIC and state-reported unclaimed deposits.

In addition, the National Association of Unclaimed Property Administrators (NAUPA) could be an effective mechanism for the FDIC to communicate and disseminate educational material to states regarding UDA and the FDIC's reporting requests for unclaimed deposits transferred to states. NAUPA membership includes unclaimed property agency representatives from all states and the District of Columbia. According to NAUPA's Internet Web site, its mission is to promote and support excellence and professionalism among those individuals charged with the responsibilities of unclaimed property administration and compliance.

Finally, at DOF's and DRR's requests, we provided a list of state unclaimed property agency officials who responded to our request for information on unclaimed deposits. Those contacts should assist the FDIC in providing information on UDA and FDIC requirements, obtaining information on amounts transferred and received, and monitoring any remaining unclaimed deposits that the states should return at the end of the 10-year holding periods.

Accordingly, to improve the FDIC's identification of and accounting for unclaimed deposits transferred to state unclaimed property agencies, and to facilitate the Corporation's monitoring of these deposits, we recommend that the Director, DOF, in coordination with the Director, DRR, take the following actions:

- (1) Update both UDRS and CARMS with all unclaimed deposits that the FDIC transferred to state unclaimed property agencies and ensure that the two systems agree.
- (2) Reconcile the variance between the FDIC's unclaimed deposits transferred to states and the state-reported unclaimed deposits received. (We will report as funds to be put to better use the estimated \$1.4 million net variance, reduced by the percentage of state-paid claims, between the FDIC unclaimed deposits recorded in CARMS and the amounts reported as received by the 34 states and the District of Columbia that responded to our requests.)
- (3) Implement procedures to monitor unclaimed deposits transferred to state unclaimed property agencies, including requesting annual reports from state unclaimed property agencies.
- (4) Provide clear, consistent guidance to state unclaimed property agencies regarding UDA and FDIC requirements for receiving, administering, and returning unclaimed deposits.

The Director, DRR, should take the following action:

- (5) Maintain an accurate automated system of accounting for unclaimed deposits transferred to state unclaimed property agencies from which reports can be accurately and timely retrieved.

CORPORATION COMMENTS AND OIG EVALUATION

On October 1, 2001, the Director, DOF, and Director, DRR, provided a joint written response to a draft of this report. The Directors' response concurred with all five recommendations. We consider the recommendations to be undispositioned and open until agreed-to corrective actions are completed. We did not summarize the responses for those recommendations because the actions planned or completed are identical to those recommended. Appendix VI to this report presents the Directors' response.

The Directors' response disagreed with our conclusion that funds will be put to better use if corrective action is taken. The response stated that (1) amounts used in our calculation were based on unsubstantiated state-provided data and (2) the funds needed to be currently available and controlled to be classified as "funds to be put to better use."

Regarding the concern raised about "unsubstantiated state-provided data" in our calculation, we acknowledge that the reconciliation process will likely identify differences in amounts to be returned—in some cases less than initially estimated, in other cases more. However, our estimate was based on the best information available at the time of our review and is reasonable based on steps taken to be conservative. The estimate does not include deposits shown in FDIC systems for states that did not respond to the OIG's requests. However, the reconciliation process may ultimately identify amounts from those states that should be returned to the FDIC.

Regarding the need for the Corporation to currently have available and control the funds in order to classify them as "funds to be put to better use," we disagree. The intent of the *IG Act* requirement to identify funds to be put to better use is to provide a justification for the need to take corrective actions by estimating future monetary benefit of such action. It is unrealistic to conclude that the corrective action will not result in an increase in deposits returned to the FDIC just because the FDIC does not now control the deposits. We continue to believe that the corrective actions are justified because of the likelihood that more deposits will be returned if the actions are taken.

Based on the audit work, the OIG will report an estimated \$1.4 million as funds to be put to better use in its *Semiannual Report to the Congress*.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objective was to determine whether the FDIC properly identified and accounted for unclaimed deposits transferred to state unclaimed property agencies. Initially, we had two other objectives to determine whether (1) acquiring institutions returned unclaimed deposits to the FDIC and (2) the FDIC properly accounted for unclaimed funds escheated to the U.S. Treasury. However, we determined that UDA did not change the requirements for unclaimed deposits as they relate to acquiring institutions' responsibilities to return all unclaimed funds back to the Corporation after 18 months. In addition, we did not review records related to unclaimed funds transferred to, paid by, or returned from acquiring institutions. Further, we determined that risks related to unclaimed United States government-owned deposits are very low because those deposits are escheated to the U. S. Treasury rather than to state unclaimed property agencies. In a previous OIG audit of unclaimed property, we informed other Offices of Inspector General of possible audit issues related to United States government-owned deposits. Accordingly, we dropped the latter objectives from our audit scope and focused on the FDIC's process to identify and account for unclaimed deposits transferred to state unclaimed property agencies.

To accomplish our objective, we interviewed officials in DRR's Receivership Management Section in Washington, D.C.; Claims Section in Dallas, Texas; and Office of Internal Review in Washington, D.C., and Dallas, Texas. In addition, we interviewed officials in DOF's Accounts Receivable Unit in Washington, D.C., and Bank Account Control Unit in Dallas, Texas. We discussed DRR's and DOF's policies and procedures to identify, track, and monitor unclaimed deposits obtained from acquiring institutions and subsequently transferred to state unclaimed property agencies. We also discussed DRR's and DOF's systems used to record unclaimed deposits.

We reviewed the applicable sections of the *Federal Deposit Insurance Act* as amended by the UDA. In addition, we reviewed DRR's and DOF's policies and procedures that implemented UDA, including DRR's *Claims Manual* dated March 1994 and March 1996, DOF's *Accounting Bulletin RA-94-002* dated August 11, 1994, and the RTC's *Claims Bulletin 05-09* dated September 28, 1995. We also reviewed the FDIC's description of a "system of record" in the *FDIC Rules and Regulations*, section 2000, and DRR's and DOF's correspondence files related to UDA. In addition, we reviewed the *Unclaimed Deposits Reporting System User Manual* dated June 8, 1995.

We requested and obtained reports from DRR and DOF on unclaimed deposits transferred to state unclaimed property agencies that were recorded in their automated systems and available from other data sources. Information that DRR provided totaled about \$29.6 million in unclaimed deposits transferred to state unclaimed property agencies. Of that \$29.6 million, approximately \$9.5 million had been recorded in DRR's automated system. The remaining \$20.1 million was available from an access database and in hard-copy format only. DOF provided reports from its automated system—CARMS—that documented approximately \$28.7 million in unclaimed deposits transferred to state unclaimed property agencies.

To determine whether state unclaimed property agencies' unclaimed deposits data agreed with the FDIC's records, the OIG sent requests to 43 states and the District of Columbia⁶ requesting information on unclaimed deposits received from the FDIC. Because CARMS showed more unclaimed funds transferred to state agencies than UDRS at the time that the OIG selected its sample of state agencies to query, we used CARMS data for selecting the states. We did not send letters to the unclaimed property agencies in the other seven states because they each received less than \$1,000 in unclaimed deposits according to CARMS data. We requested that each state unclaimed property agency provide the (1) amount of unclaimed deposits received from the FDIC, (2) total claims paid to deposit owners, and (3) dates any remaining unclaimed deposits should be returned to the FDIC. To determine differences in reported totals for unclaimed deposits that the FDIC sent to state agencies, we compared amounts reported in CARMS with amounts that state agency officials provided in response to our requests.

Based on our discussions with state unclaimed property agency officials, some of those officials were not familiar with UDA. Accordingly, we explained UDA requirements and provided copies of UDA for their review. Nine of the 44 state unclaimed property agencies to whom we sent requests did not respond to our first or second request. The lack of response from those nine agencies was an external impairment affecting the scope of the audit. Accordingly, we could not determine whether differences between state and FDIC data existed for those nine states. CARMS showed that \$2,774,159 was transferred to those nine states. Appendix III provides information on the nine states and amounts transferred to each one based on the CARMS data.

To test the FDIC's current processes for identifying, transferring, and monitoring unclaimed deposits, we requested unclaimed deposit information on two recent bank failures—BestBank, which failed in July 1998, and Keystone, which failed in September 1999. However, as of March 7, 2001, the FDIC had not transferred any unclaimed deposits to state unclaimed property agencies for those two failed financial institutions. Accordingly, we could not test the FDIC's current process for transferring and tracking unclaimed deposits related to those two institutions.

We assessed DRR's and DOF's system of internal controls over unclaimed deposits and conducted substantive tests of controls over the recording and tracking of unclaimed deposits transferred to state agencies. The OIG conducted the audit from November 2000 through June 2001 in accordance with generally accepted government auditing standards.

⁶We mailed the initial requests to unclaimed property agencies on December 8, 2000. We mailed a second request on January 11, 2001 to those unclaimed property agencies that had not responded by that date. Of the 44 unclaimed property agencies to whom we mailed requests, only 34 state agencies and the District of Columbia ultimately responded.

Comparison of FDIC and State-Reported Unclaimed Deposits

State	Reported by the FDIC in CARMS	Reported by State	Difference ^a
Alabama	\$ 318,951	\$ 358,833	\$ (39,882)
Alaska	1,759	9,899	(8,140)
California	13,376,734	13,193,214	183,520
Connecticut	215,247	215,247	0
District of Columbia	18,076	65,964	(47,888)
Florida	3,329,556	3,411,804	(82,248)
Georgia	97,929	107,437	(9,508)
Hawaii	1,491	230	1,261
Idaho	5,253	5,253	0
Indiana	9,418	9,418	0
Kentucky	1,775	1,704	71
Louisiana	358,092	358,092	0
Maine	15,860	48,909	(33,049)
Maryland	487,149	377,507	109,642
Michigan	165,322	124,258	41,064
Minnesota	8,720	8,720	0
Mississippi	21,642	21,388	254
Missouri	33,104	57,454	(24,350)
Nebraska	40,235	42,277	(2,042)
Nevada	3,251	3,251	0
New Hampshire	53,084	53,084	0
New Jersey	1,977,802	1,983,740	(5,938)
New York	638,328	280,186	358,142
North Carolina	87,211	86,647	564
Ohio	2,145,233	2,127,320	17,913
Oregon	281,103	281,103	0
Rhode Island	1,173,249	1,168,098	5,151
South Carolina	71,728	71,436	293
Tennessee	53,696	48,908	4,788
Texas	307,476	2,613,413	(2,305,937)
Vermont	1,045	1,045	0
Virginia	235,246	244,823	(9,577)
Washington	198,424	199,648	(1,224)
West Virginia	163,591	255,631	(92,040)
Wisconsin	37,957	8,334	29,623
Totals^b	\$25,934,737	\$27,844,275	\$(1,909,537) ^c

^aThe computed difference is based on the variance between CARMS and state-reported amounts because CARMS, which was based on DRR records, was more complete than UDRS.

^bTotals do not add due to rounding of state-reported and CARMS data.

^cThe total difference, both positive (the FDIC reported transferring more than 13 states reported receiving—\$752,286) and negative (13 states reported receiving more than the FDIC reported transferring—\$2,661,823), was \$3,414,109. Nine states reported receiving the same amounts that the FDIC reported transferring.

Source: OIG analysis of states' responses to OIG requests and CARMS data as of December 5, 2000.

Unclaimed Deposits Transferred to States That Did Not Respond to OIG Requests

State	Reported by the FDIC in CARMS
Arizona	\$ 697,736
Colorado	19,107
Delaware	123,299
Illinois	134,648
Iowa	13,678
Kansas	167,660
Massachusetts	295,407
Oklahoma	569,654
Pennsylvania	752,970
Total	\$2,774,159

Source: OIG analysis of CARMS data for states that did not respond to OIG requests.

CALCULATION OF FUNDS TO BE PUT TO BETTER USE

Recommendation 2 results in an estimated \$1.4 million in funds that the FDIC can put to better use. We based our estimate on the amount of unclaimed deposits that the District of Columbia and 34 states that responded to our requests reported receiving. Table 2 shows our calculation.

Table 2: OIG Calculation of Funds to Be Put to Better Use

State-Reported Amounts Compared to CARMS	Reported in CARMS	Reported by States	Difference
Higher ^a	\$ 6,738,009	\$ 9,399,832	\$2,661,823
Lower ^b	18,261,515	17,509,230	(752,286)
Same ^c	935,213	935,213	0
Net difference			\$1,909,537
Reduction for state-paid claims ^d			458,289
Funds to be put to better use			\$1,451,248

^aFor the District of Columbia and 34 states that responded to OIG requests, 13 reported receiving higher unclaimed deposit amounts than the FDIC reported in CARMS.

^bFor the District of Columbia and 34 states that responded to OIG requests, 13 reported receiving lower unclaimed deposit amounts than the FDIC reported in CARMS.

^cFor the District of Columbia and 34 states that responded to OIG requests, 9 reported receiving the same unclaimed deposit amounts as the FDIC reported in CARMS.

^dThe District of Columbia and 34 states that responded to OIG requests reported that they had paid out \$6,789,070 in claims (24 percent) of the \$27,844,275 that they received from the FDIC. We based our comparison of amounts reported in CARMS and by the states on the total amounts sent to the states. Assuming a comparable percentage of state-paid claims going forward, we reduced the net difference that we identified by 24 percent to reflect additional claims that the states could potentially pay before the 10-year holding periods end.

Source: OIG analysis of states' responses to OIG requests and CARMS data as of December 5, 2000.

Our estimate of funds to be put to better use is conservative because

- Deposit owners are more likely to claim their funds during the early years of the 10-year holding periods. The FDIC transferred most of the \$27.8 million that the 34 states and the District of Columbia reported receiving over 5 years ago. Therefore, the majority of claims for these funds should have been received by the states rather than the steady distribution that we have projected.

APPENDIX IV

- It does not take into account any differences between CARMS and states' records for the nine states that did not respond to our requests, the seven states that we did not send requests, or future transfers to states given that it will take time for the FDIC to reconcile its records.
- Additional unclaimed deposits could be added to states' records as a result of reconciliation efforts (e.g., New York reported receiving only \$280,186 for one institution while CARMS showed that the FDIC transferred \$638,328 for 39 institutions).

1993 Unclaimed Deposits Amendments to the *Federal Deposit Insurance Act*

PUBLIC LAW 103-44 [H.R. 890]; June 28, 1993

UNCLAIMED DEPOSITS AT INSURED BANKS AND SAVINGS ASSOCIATIONS

An Act to amend the Federal Deposit Insurance Act to improve the procedures for treating unclaimed insured deposits, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AMENDMENTS RELATING TO TREATMENT OF UNCLAIMED DEPOSITS AT INSURED BANKS AND SAVINGS ASSOCIATIONS.

Subsection (e) of section 12 of the Federal Deposit Insurance Act (12 U.S.C. 1822(e)) is amended to read as follows:

"(e) DISPOSITION OF UNCLAIMED DEPOSITS.—

"(1) NOTICES.—

"(A) FIRST NOTICE.—Within 30 days after the initiation of the payment of insured deposits under section 11(f), the Corporation shall provide written notice to all insured depositors that they must claim their deposit from the Corporation, or if the deposit has been transferred to another institution, from the transferee institution.

"(B) SECOND NOTICE.—A second notice containing this information shall be mailed by the Corporation to all insured depositors who have not responded to the first notice, 15 months after the Corporation initiates such payment of insured depositors.

"(C) ADDRESS.—The notices shall be mailed to the last known address of the depositor appearing on the records of the insured depository institution in default.

"(2) TRANSFER TO APPROPRIATE STATE.—If an insured depositor fails to make a claim for his, her, or its insured or transferred deposit within 18 months after the Corporation initiates the payment of insured deposits under section 11(f)—

"(A) any transferee institution shall refund the deposit to the Corporation, and all rights of the depositor against the transferee institution shall be barred; and

"(B) with the exception of United States deposits, the Corporation shall deliver the deposit to the custody of the appropriate State as unclaimed property, unless the appropriate State declines to accept custody. Upon delivery to the appropriate State, all rights of the depositor against the Corporation with respect to the deposit shall be barred and the Corporation shall be deemed to have made payment to the depositor for purposes of section 11(g)(1).

"(3) REFUSAL OF APPROPRIATE STATE TO ACCEPT CUSTODY.—If the appropriate State declines to accept custody of the deposit tendered pursuant to paragraph (2)(B), the deposit shall not

June 28

UNCLAIMED DEPOSITS

P.L. 103-44

be delivered to any State, and the insured depositor shall claim the deposit from the Corporation before the receivership is terminated, or all rights of the depositor with respect to such deposit shall be barred.

"(4) TREATMENT OF UNITED STATES DEPOSITS.—If the deposit is a United States deposit it shall be delivered to the Secretary of the Treasury for deposit in the general fund of the Treasury. Upon delivery to the Secretary of the Treasury, all rights of the depositor against the Corporation with respect to the deposit shall be barred and the Corporation shall be deemed to have made payment to the depositor for purposes of section 11(g)(1).

"(5) REVERSION.—If a depositor does not claim the deposit delivered to the custody of the appropriate State pursuant to paragraph (2)(B) within 10 years of the date of delivery, the deposit shall be immediately refunded to the Corporation and become its property. All rights of the depositor against the appropriate State with respect to such deposit shall be barred as of the date of the refund to the Corporation.

"(6) DEFINITIONS.—For purposes of this subsection—

"(A) the term 'transferee institution' means the insured depository institution in which the Corporation has made available a transferred deposit pursuant to section 11(f)(l);

"(B) the term 'appropriate State' means the State to which notice was mailed under paragraph (1)(C), except that if the notice was not mailed to an address that is within a State it shall mean the State in which the depository institution in default has its main office; and

"(C) the term 'United States deposit' means an insured or transferred deposit for which the deposit records of the depository institution in default disclose that title to the deposit is held by the United States, any department, agency, or instrumentality of the Federal Government, or any officer or employee thereof in such person's official capacity."

SEC. 2. EFFECTIVE DATE.12 USC 1822
note.

(a) IN GENERAL.—The amendments made by section 1 of this Act shall only apply with respect to institutions for which the Corporation has initiated the payment of insured deposits under section 11(f) of the Federal Deposit Insurance Act after the date of enactment of this Act.

(b) SPECIAL RULE FOR RECEIVERSHIPS IN PROGRESS.—Section 12(e) of the Federal Deposit Insurance Act as in effect on the day before the date of enactment of this Act shall apply with respect to insured deposits in depository institutions for which the Corporation was first appointed receiver during the period between January 1, 1989 and the date of enactment of this Act, except that such section 12(e) shall not bar any claim made against the Corporation by an insured depositor for an insured or transferred deposit, so long as such claim is made prior to the termination of the receivership.

(c) INFORMATION TO STATES.—Within 120 days after the date of enactment of this Act, the Corporation shall provide, at the request of and for the sole use of any State, the name and last known address of any insured depositor (as shown on the records of the institution in default) eligible to make a claim against the

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LAWS OF 103rd CONG.—1st SESS.

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Corporation solely due to the operation of subsection (b) of this section.

(d) DEFINITION.—For purposes of this section, the term "Corporation" means the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, or the Federal Savings and Loan Insurance Corporation, as appropriate.

Approved June 28, 1993.

LEGISLATIVE HISTORY--H.R. 890:
CONGRESSIONAL RECORD, Vol. 139 (1993):
Mar. 2, considered and passed House.
May 27, considered and passed Senate, amended.
June 9, House concurred in Senate amendments.

107 STAT. 222

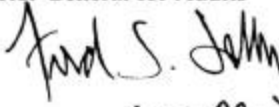
CORPORATION COMMENTS

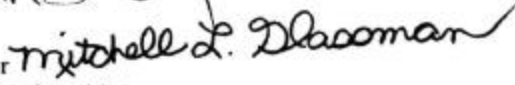


Federal Deposit Insurance Corporation

September 26, 2001

MEMORANDUM TO: Sharon M. Smith
Deputy Assistant Inspector General for Audits

FROM: Fred S. Selby, Director 
Division of Finance

Mitchell L. Glassman, Director 
Division of Resolutions and Receiverships

SUBJECT: Response to Draft Report Entitled *Audit of the FDIC's Identification of and Accounting for Unclaimed Deposits Transferred to State Unclaimed Property Agencies (Audit Number 00-105)*

Pursuant to above subject matter, this memorandum will serve to respond to the issues and recommendations outlined in the draft OIG Audit Report dated August 31, 2001.

1. **OIG Audit Recommendation:** That the Director, DOF, in coordination with the Director, DRR, take the following action:

Update both UDRS and CARMS with all unclaimed deposits that the FDIC transferred to state unclaimed property agencies and ensure that the two systems agree.

Response: DOF and DRR agree with this recommendation.

Corrective Action: DOF and DRR are proceeding with their reconciliation of UDRS and CARMS. The reconciliation of systems will be completed by June 30, 2002. The Bank Account Control Unit (BACU) is to be the party responsible for contacting the states and recovering unclaimed deposits after the expiration of the 10-year holding period. BACU is currently responsible for recovering abandoned property from each of the states and serves as the primary contact with the states for unclaimed or abandoned property.

2. **OIG Audit Recommendation:** That the Director, DOF, in coordination with the Director, DRR, take the following action:

Reconcile the variance between the FDIC's unclaimed deposits transferred to states and the state-reported unclaimed deposits received. (We will report as funds to be put to better use the \$1,451,248 net variance, reduced by the percentage of state-paid claims, between the FDIC unclaimed deposits recorded in CARMS and the amounts reported as received by the 34 states and the District of Columbia that responded to our requests.)

September 26, 2001

Response: DOF and DRR strongly disagree with the findings of "funds to be put to better use", but agree with the remainder of the recommendation.

Funds To Be Put To Better Use: The OIG finding is based on unsubstantiated state-provided data. Furthermore, the phrase 'funds to be put to better use' implies that one has control over those funds. These funds are not available to the FDIC and, therefore, could not be put to better use. Based on the requirements of UDAA in conjunction with the timing of bank failures, the earliest any funds are due to be returned to FDIC is March 2005. This finding is not supported by the facts.

Corrective Action: DOF BACU, with the help of DRR Claims, is working with various states to resolve the reported variances and will have them resolved before the March 2005 recovery start date. BACU has identified several instances where checks sent to states were never cashed. DOF will issue replacement checks to the states with supporting detail of claimants.

DOF is working with the states to identify any discrepancies between its records and amounts reported by the states to the OIG. BACU's efforts to identify and recover abandoned funds had identified a significant variance in the quality of record keeping systems used by states to manage unclaimed property. The OIG survey results highlight the difficulties in getting states to respond to inquiries. For example, the State of Ohio said they had no record of ever receiving a payment of \$2,024,658.15 from FIN# 1303, Trans Ohio Federal Savings Bank, until we sent them a copy of the cancelled check. The OIG schedules of funds reported by the responding states do not provide detail as to individual depositor amounts and, therefore, it is impossible to confirm which remittances are included or excluded. We believe that several of the states that did respond either included monies that had been escheated prior to enactment of UDAA or were not able to identify all funds remitted by FDIC as required by UDAA. For example: the OIG's survey shows the State of Texas, Commonwealth of Virginia, and the State of Alabama each reported funds to be returned in years 2003 and/or 2004, well before the March 2005 date for receiving funds back from the states. Thus, it is clear that the figures provided by some of the states should not be relied upon to determine inaccuracies in FDIC records.

3. **OIG Audit Recommendation:** That the Director, DOF, in coordination with the Director, DRR, take the following action:

Implement procedures to monitor unclaimed deposits transferred to state unclaimed property agencies, including requesting annual reports from state unclaimed property agencies.

Response: DOF and DRR agree with this recommendation.

Corrective Action: We agree that having procedures to monitor the funds transferred to the states and the status of any unclaimed amounts is desirable and will establish broad procedures in a Memorandum of Understanding (MOU) between DOF and DRR that will be

September 26, 2001

issued by March 31, 2002. Final procedures will be developed after the Receivership Liability System (RLS) is upgraded, which is projected to be completed by June 30, 2002. The target date for final, detailed procedures will be September 30, 2002.

The UDAA legislation did not mandate that states provide periodic reporting to the FDIC. The lack of mandatory interim reporting by the states is illustrated by the OIG's inability to get all surveyed states to respond. BACU's efforts to recover abandoned funds have identified a significant variance in the quality and level of detail of record keeping systems used by states to manage unclaimed property.

To establish better communication with the states' unclaimed property departments, DOF contacted the National Association of Unclaimed Property Administrators (NAUPA) and made arrangements for DOF and DRR to provide a UDAA presentation at their national conference that was to be held from September 29 to October 2, 2001. Unfortunately, the events of September 11 have caused the conference to be canceled. These efforts to improve relations and communications with the states will enable DOF to obtain data on remaining amounts unclaimed.

DOF has developed a brochure that explains the UDAA legislation and provides contacts within DOF and DRR for funds received from or due to the FDIC. These brochures were to be handed out at the conference but will be mailed to each state's office of unclaimed property. Periodically, FDIC will provide the states with data from the new RLS software to assist in identifying escheated deposits. Moreover, we will stay in contact with the individual states and NAUPA and participate in regional or national conferences to improve communications.

4. **OIG Audit Recommendation:** That the Director, DOF, in coordination with the Director, DRR, take the following action:

Provide clear, consistent guidance to state unclaimed property agencies regarding UDA and FDIC requirements for receiving, administering, and returning unclaimed deposits.

Response: DOF and DRR agree with this recommendation.

Corrective Action: DOF and DRR are working through the National Association of Unclaimed Property Managers to improve relations and communication. The development of the UDAA brochure (noted above) and its distribution to all states will lay the groundwork for a cooperative relationship between the states and the FDIC.

Periodically, BACU will provide the states with a schedule of payments made with supporting detail from RLS once the enhancements (noted below) have been implemented. This will assist the individual states in identifying escheated deposits. It should be noted again that states are not subject to any requirement to provide interim reporting to the FDIC.

September 26, 2001

5. **OIG Audit Recommendation:** The Director, DRR, should take the following action:

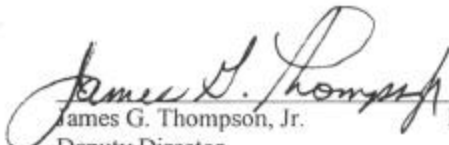
Maintain an accurate automated system of accounting for unclaimed deposits transferred to state unclaimed property agencies from which reports can be accurately and timely retrieved.

Response: DRR agrees with this recommendation.

Corrective Action: DRR has budgeted funds for 2002 to build functionality into the Receivership Liability System (RLS) to provide unclaimed deposit tracking and reporting. This functionality will be developed by a team of subject matter experts from DRR and DOF. The programming for the new RLS functions is projected to be completed by June 30, 2002.

At this time, DRR does not consider it efficient or effective to convert the reconciled data into UDRS prior to developing the RLS functionality. We have learned from experience that completing two conversions of the same data would be costly, time consuming and counter productive. Therefore, upon completion of the RLS programming, DRR will convert all relevant data into RLS from either UDRS, other electronic databases, or manual documentation. Given the expected completion dates for the RLS updates, this conversion process will be completed by March 31, 2003. Upon completion, RLS will be the system of record for unclaimed deposits.

Concurred:

 9/26/01
James G. Thompson, Jr. Date
Deputy Director
Division of Finance

 9/26/01
A. J. Felton Date
Deputy Director
Division of Resolutions and Receiverships

 9/28/01
Gail Patchunas Date
Deputy Director
Division of Resolutions and Receiverships

APPENDIX VI

September 26, 2001

c: Vijay Deshpande, Director, OICM
Giovanni Recchia, Associate Director, DRR
Susan R. Brown, Assistant Director, DOF
Susan Whited, Assistant Director, DRR
William R. Baucum, Financial Manager, DOF
Stan Pawlowski, Internal Control Liaison, DOF
Rick Hoffman, Department Head, OIR- DRR -Dallas
Marilil Reeves, Senior Internal Review Specialist, DOF
Dean R. Eisenberg, Senior Internal Review Specialist, DRR
Martin Becker, Senior Receivership Management Specialist, DRR