Unclaimed Property

ISRS Accounting Procedure

Updated 5/4/17

Purpose
To provide guidance for the return of unclaimed funds to the originator or sending to unclaimed property.

Guidelines
Colleges and universities shall review uncashed checks in their local bank account to determine that they comply with state unclaimed property laws and U.S. Department of Education regulations concerning federal funds.

This review of the outstanding checks should be done every 90 days by the business office and include all reasonable means to locate the payee. Various laws and regulations govern the handling of uncashed checks if the payee cannot be located. Below is a summary of the pertinent laws and regulations that relate to local bank account uncashed checks.

State Law
Minnesota has enacted the Uniform Disposition of Unclaimed Property Act at Minnesota Statutes § 345.31, et seq. The Act requires holders of uncashed checks to report the checks as unclaimed property (§ 345.41). Minnesota State colleges and universities have unclaimed property if they hold uncashed vendor checks that have been outstanding three years or more. (§ 345.38, subd. 3). Payroll checks, including student payroll, are considered unclaimed after one year. (§ 345.39, subd. 3).

If the college or university has old outstanding checks to remit to the State, go to the Minnesota Department of Commerce Web site for instructions on how to report the old items using the Holders Report.

In summary, the instructions require the property holder to:

- Attempt to locate the owners of the property if the outstanding check is $100 or greater. Minnesota law requires a letter to be sent to the owner of the unclaimed property. Checks less than $100 may be combined when reported.
- Complete the UP-H form.
- List owner and property information on the appropriate form or create an electronic file.
- Send the report and funds, or submit the report online, to the Department of Commerce.
Note: In the case of a property owner whose last known address was outside the State of Minnesota, it is necessary to determine if Minnesota has a reciprocity agreement with that state. Reciprocity is discussed on the Department of Commerce Web site mentioned above and there is a table showing which states have reciprocity. If there is a reciprocity agreement then the reporting and remittance should go to the State of Minnesota. If there is no reciprocity agreement then the institution must report and remit to that other state.

Federal Financial Aid
Federal financial aid includes Perkins, PELL, Stafford, SEOG and FFEL programs. These funds are kept in the school's local bank account before applying them to student accounts. The following requirements apply to old outstanding financial aid checks that have not been cashed by students (see Federal Student Aid Handbook in the Information for Financial Aid Professionals Library):

- College or university staff should use all reasonable means to locate the student.
- Title IV funds should never be remitted to a state, school, or third party.
- Uncashed checks should be voided and the funds returned to the appropriate financial aid program(s) and/or lender within 240 days.

No specific rules exist for determining which funds create the credit balance. However, to reduce the borrower's loan balance, colleges and universities are encouraged to return loan programs first.

Once the financial aid has been recalculated, the funds should be returned to the USDOE using the electronic refund functionality in the Federal G5 system. Per the FSA Blue Book, chapter 14, page 2-132, the school can return funds for up to 10 years following the end of the award year. The USDOE has set up a hotline to answer questions: 1-888-336-8930.

State Financial Aid
The state regulations can be found on the Office of Higher Education Web site. Refer to the 2016-2017 State Financial Aid Manual for the specific regulations for each financial aid program. Each instruction contains instructions regarding returning funds to the financial aid program similar to the following passage.

If an institution attempts to disburse funds by check or EFT transaction to the student, and the check is returned to the institution or the EFT transaction is rejected, the institution may make additional attempts to disburse the funds to the student, provided those attempts take place within 45 days after the funds were returned or rejected. If no additional attempts to disburse funds are made, the funds must be returned to the program within that 45-day period. If an institution attempts to disburse funds by check to the student and the check is not cashed, the institution must return funds to the program within 240 days of the check being issued.
If a school cannot locate a student to whom a state financial aid credit balance must be paid, the school must return the credit balance to the appropriate state financial aid program. The Agency (Minnesota Office of Higher Education) does not specify how a school should determine which financial aid funds created the credit balance. However, when possible, the Agency encourages schools to return state financial aid fund balances to the SELF loan program first to reduce the likelihood of default.

### Instructions for Returning Funds/Uncashed Financial Aid Checks

1. Students often receive multiple sources of financial aid. Review the unclaimed financial aid checks and verify what financial aid the student received.

2. Determine whether funds for the outstanding check have already been returned to the appropriate financial aid program for the outstanding checks.

3. If the funds have already been returned then the outstanding checks should be cancelled.

4. If the funds have not been returned to the financial aid program, then an attempt should be made to find the student. Check whether the student is enrolled. Check the phonebook, as well as the address of record at the time of enrollment. Also consider an Internet search.

   Note: Internet sites, such as Google and Yahoo, can be used free of charge to search for information about a student. In addition, the system has a license to use Accurint, a people locator program. Any Minnesota State Colleges and Universities institution can use Accurint for a nominal cost per search.

5. If the student can be located, send an affidavit to the student to sign. The affidavit should state that the student agrees not to cash the old check. Once the affidavit is signed, cancel the old check, issue a new check and mail it to the student.

6. If the student cannot be located, then the funds will have to be returned to the program that issued the funds. Funds applied will have to be rerun for each student. Funds applied can be run by the campus back to Fall 2000. For terms prior to Fall 2000, Campus Assistance Unit will coordinate with Information Technology Services to make the calculations.

7. Apply money from the old check first to student loans, then state aid, and finally PELL and SEOG.
   - Student loans should be returned electronically to the lender.
   - State financial aid should be returned with a paper check.
   - Federal financial aid should be returned electronically using the federal G5 system.

8. Returning PELL funds
   - Current PELL monies should be returned by netting against current requests.
   - Old PELL monies should be refunded against the grants if they are still open.
   - Refunds from closed PELL grants should be returned as miscellaneous funds.
9. Returning SEOG funds
   • SEOG funds should not need to be returned if the sequence in step 7 above, is followed. However, should there be any SEOG funds, follow the PELL instruction in step 8.

Correcting Fiscal Operations Report and Application to Participate (FISAP) Records
If financial aid needs to be returned to the U.S. Department of Education, log into the FISAP Web site and click on the "setup" link at the top of the page. This Web site will have a page to change the appropriate year. If the financial aid goes back too far, the funds will have to be returned by check and the paper copy of the FISAP restated and resubmitted. For questions about correcting a FISAP or returning funds contact the U.S. Department of Education Campus based Call Center Helpdesk at 1-877-801-7168 or CBFOB@ed.gov.

ISRS Transactions
If the unclaimed property is not financial aid:

1. Use the AP0004UG screen to change the check status to "U".
2. Create a new G/L and cost center in appropriation LSO for unclaimed property transactions. (If one hasn't been already.)
3. Enter a receipt for the amount of the check(s) to revenue object code 9851 using the unclaimed property cost center. For vendor and payroll checks, process a check payment from the cost center above using object code 9851 to submit claimed funds to the Minnesota Department of Commerce.

Note: Minnesota Management and Budget reviews outstanding checks in the State treasury bank account and initiates an unclaimed property review on a quarterly basis. The instructions for the State treasury unclaimed property are similar to those above and are sent out quarterly to the schools.

For further information
For questions or comments please contact at accounting@so.mnscu.edu or refer to the staff directory for additional contact information.