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# Escheatment Under Scrutiny: Why Proactive Management Can't Wait

**Introduction**

In recent years, states have intensified enforcement efforts surrounding escheatment, due to budget pressures and the potential for revenue generation. Escheatment is the legal process by which unclaimed or abandoned property reverts to the custody of the state. Though often categorized as a finance or compliance matter, escheatment holds far-reaching implications for legal risk, operational efficiency, and corporate reputation. The unclaimed property landscape is becoming more complex and litigious, particularly as states expand their reach through aggressive audit practices and stricter due diligence mandates.

Estimates suggest states are currently holding more than $70 billion in unclaimed property in the U.S., with Canada holding an additional $2 billion across federal and provincial programs (National Association of Unclaimed Property Administrators [NAUPA], n.d.; Office of the Superintendent of Bankruptcy Canada, 2023). Companies that fail to maintain effective escheatment protocols face not only penalties and state audits, but also reputational damage.

This paper explores the legal framework surrounding escheatment, outlines proactive strategies for prevention, and provides guidance for aligning finance and operations teams in mitigating long-term escheatment risk, both within the United States and in other jurisdictions where unclaimed property regulation is expanding.

**Legal Landscape of Escheatment**

Escheatment in the United States is governed by state-specific unclaimed property laws, most of which are influenced by the Uniform Unclaimed Property Act of 1956. However, the act is not uniformly adopted; each state may amend key provisions, including dormancy periods, reporting timelines, and due diligence requirements (Uniform Law Commission, 2016).

In general, unclaimed property includes any financial asset that has not been claimed by its rightful owner within a specified dormancy period. For corporations, particularly within accounts payable departments, this typically includes:

- Uncashed vendor checks
- Overpayments and unapplied credits
- Rebates, refunds, and promotional balances
- Duplicate or misdirected payments

In recent years, failure to comply with escheatment laws has triggered scrutiny under state False Claims Acts. In September 2024, the California Attorney General secured a $7.7 million settlement with a national health care company for allegedly failing to escheat patient overpayments. In December 2024, the New York Attorney General announced a $4.4 million settlement with a gift card company for allegedly helping a national retailer circumvent escheatment laws, building on a prior $36 million settlement with the retailer in 2022. These cases illustrate that enforcement is no longer limited to healthcare or government contracts, and escheatment noncompliance is increasingly seen as a fraud risk in its own right.

Jurisdiction for escheatment is determined by the state of the owner's last known address. If that address is unknown or incomplete, the reporting obligation typically falls to the corporation's state of incorporation. Delaware, in particular, is known for rigorous audit enforcement and for utilizing third-party audit firms compensated through contingency fees, creating an incentive for aggressive and lengthy audits



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that can span more than a decade of records (Krebsbach, 2020). States may also impose steep interest penalties on past-due unclaimed property. For example, California allows interest charges of up to 12% annually on the value of unremitted property, accruing from the date it became reportable until payment is made.

While escheatment enforcement has historically been centered in the United States, other jurisdictions are following suit. In Canada, provinces such as Quebec, Alberta, and British Columbia have implemented unclaimed property regimes, and others are exploring similar legislation. As globalization expands corporate operations, companies with Canadian subsidiaries or vendors must stay current on multi-jurisdictional requirements to avoid non-compliance and ensure a harmonized unclaimed property strategy across borders.

**Escheatment Prevention and Risk Mitigation**

Prevention is not merely about reducing unclaimed property, it is a proactive risk management strategy. At the core of effective prevention are three foundational elements:

1. Due Diligence Protocols: All states mandate some form of owner outreach before property is reported and remitted. Best-in-class due diligence involves:

- Centralized monitoring of outstanding checks
- Scheduled outreach campaigns (e.g., monthly or quarterly)
- Escalation procedures for large-dollar or high-risk items
- Cross-referencing payments against vendor records

2. Voiding Checks Responsibly: Simply pushing a stale check forward without legitimate business reason may be viewed by auditors as an attempt to evade escheatment obligations. Legal voiding should follow documented procedures and legitimate justifications.

3. Recordkeeping and Audit Readiness: Audit defense depends on detailed record retention and transaction visibility. Companies should retain:

- Copies of payment records and check images
- Evidence of vendor outreach and response
- Logs of internal communications or approvals
- Notes documenting reversals or reconciliations

**Conclusion and Recommendations**

Escheatment compliance should not be relegated to a year-end checklist. As states become more assertive and technologically equipped, the burden of proof lies with the holder. Companies must approach escheatment not only as a legal obligation, but as a marker of operational maturity and financial integrity.

The reality is clear: escheatment is time-consuming, detail-intensive, and high-risk when mismanaged. What may seem like a simple accounting task can quickly evolve into a multi-state audit, legal review, or reputational challenge. That's why many organizations turn to third-party experts who specialize in the intricacies of unclaimed property audits and escheatment prevention. Working with an experienced firm allows internal teams to focus on their core responsibilities while ensuring that regulatory obligations are fulfilled thoroughly and defensibly.

"Escheatment isn't something to 'squeeze in' at year-end. It requires dedicated oversight, multi-department coordination, and the ability to apply compliance knowledge to real-world complexity. That's why our clients trust us with this process."

- Frank Broniec, CEO - Broniec Associates

Handled properly, escheatment is a chance to demonstrate fiscal responsibility, streamline operations, and recover dollars you may not even realize are slipping away.




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