



STATE OF DELAWARE
DEPARTMENT OF STATE

**Instructions for the Completion of the Closing Memorandum,
SOS VDA Best Practices and SOS VDA Templates**

The purpose of this document is to provide instructions to the SOS VDA Vendor for the completion of the Closing Memorandum, provide an overview of SOS VDA Best Practices related to Holders' SOS VDA Submission and introduce the SOS VDA Vendor to several SOS VDA templates to be used by the SOS VDA Vendor during its review of the Holder's SOS VDA Submission.

Closing Memorandum

The purpose of the Closing Memorandum is to document Holder's procedures related to the findings presented by the SOS VDA Vendor and to make a recommendation to the Secretary of State for the approval of the Holder's SOS VDA Submission.

A template of the Closing Memorandum has been developed. Key issues, areas of concern, etc. should be addressed by the SOS VDA Vendor, in addition to how the SOS VDA Vendor was able to rectify any of these areas of concern. It is anticipated that the SOS VDA Vendor shall address relevant questions but need not retain the actual questions within the final preparation of the Closing Memorandum.

It is further anticipated that the Closing Memorandum be prepared by the SOS VDA Vendor throughout the SOS VDA Vendor's review process. The Closing Memorandum should be finalized and signed by two employees of the SOS VDA Vendor, one as the preparer and another as the reviewer, before it is transmitted by the SOS VDA Vendor to the State with the closing package.

Best Practices

Below is a list of Best Practices which should be utilized by SOS VDA Vendor when reviewing SOS VDA Submissions.

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The list below is not exhaustive and is not to be considered the only standards. This list may be enhanced and edited as necessary. These instructions should be used in conjunction with the SOS VDA Program Implementing Guidelines and SOS VDA Estimation Regulations.

Program Overview

- **Acknowledgement of Emails** – When an email is sent, please confirm receipt and note when a response can be expected. In some instances upon receipt of the email by SOS VDA Vendor, it might be expeditious for the SOS VDA Vendor to call the State to discuss issues before addressing directly with the Holder. This may resolve some issues and alleviate the need for any additional back and forth communication with the Holder or Advocate to resolve an issue or question.
- **Replacement of Pages** - In instances when documents or forms need to be edited and replaced, the pages should not be replaced without the consent of the officer of the company. Copies of this approval should be clearly noted and included in the “DOS Folder” when the VDA is transferred to the State for processing.
- **Email Correspondence** – When sending emails correspondence to the Holder/Advocate and/or DOS, in the subject line please include the name of the Holder followed by a summary of the topic of the email.
- **Filing Naming** – When feasible and creating/saving documents, please save and name the files in the following manner “name of Holder name of document.”
- **File Folders** – Please create a separate file folder for work papers which are created by the SOS VDA Vendor in conducting its analysis. Folder should be named as such and include any files created by the SOS VDA Vendor in performing its analysis.
- **Password Protected Files** – Please remove passwords on files when they are transferred to DOS. Oftentimes, the password is not provided and this causes issues for DOS when trying to open the files.
- **Staff Changes** – While it is understandable that there will be staff changes throughout the engagement, it would be appreciated if SOS VDA Vendor could alert DOS on these changes and the impact of staff changes on the respective VDA’s. SOS VDA Vendor should ascertain the extent of additional work which might be caused by such staff changes and address with DOS.

Property Types and Quantification

- **Industry Specific Property Types** - When a Holder or one of its affiliates is in a specific line of business and a typical industry specific property type is not included or is included at a low dollar amount, SOS VDA Vendor should address the reason for such in the Closing Memorandum.
- **Accounts Receivable - Tracer Analysis** – Pursuant to the SOS VDA Estimation regulations, each Holder is required to complete an accounts receivable Tracer Analysis. The Tracer Analysis should be documented in the narrative provided by the Holder explaining what was done and the results of such analysis. The following should be noted with regard to a Tracer Analysis. A Tracer Analysis is not a statistical sample but rather a judgement sample whereby data within

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the AR system is used to target various transactions for review. The goal of the Tracer Analysis is to identify the scope of the accounts receivable testing and quantification. For instance, the Tracer Analysis may identify which items are written off and to which general ledger accounts. Alternatively, the Tracer Analysis may identify which types of transactions could lead to unclaimed property (e.g., coding of AR transactions which might need to be reviewed further.)

- **Accounts Receivable - Credit Analysis** – During an accounts receivable credit analysis, a Holder determines how the credit was created and utilized. In this regard a Holder is trying to determine whether there is a potential for unclaimed property. If the population is too large, a statistical sample may be warranted.
- **Voided Check Analysis – Use of Voided Checklist** - If a Holder is able to provide a cumulative voided checklist from its general ledger system, then the quarter bank reconciliation analysis is not warranted as the applicable information is readily available. Testing should be performed and documented to prove that the voided checklist is complete.
- **Benefits as Unclaimed Property** - If no documentation is provided (other than copies of the 5500's) regarding benefits and the Holder is taking a position that there is no unclaimed property, this position should be documented in the Management Representation Letter. Confirmation should be obtained that the funds are returned back to the plan or the Holder should indicate that it has no outstanding checks payable to insureds which could be considered unclaimed property.
- **Completeness of Data** – In order to confirm that a Holder has provided the complete population of items, the source documents/data need to be tied to the General Ledger Trial Balance. This reconciliation should be performed by the Holder or Advocate and included in the work paper folder provided and should be reviewed and confirmed by the SOS VDA Vendor. If no reconciliation is provided, the SOS VDA Vendor should perform its own reconciliation and this documentation should be retained in the SOS VDA Vendor work papers.
- **Tie Out Schedule** – When a closed VDA is transferred to DOS, DOS will review the schedules. If a summary schedule is not provided by the Holder, DOS will prepare a summary schedule to confirm that the supporting schedules tie to the amounts being reported on the AP-1, AP-2 and the SOS VDA Submission. SOS VDA Vendor should strongly encourage the Advocates and/or Holders to prepare such schedule. This will expedite the DOS review process. Please be sure to include all of the extrapolation schedules.
- **Variations** – If there are significance variations in numbers, this should be brought to the attention of the State in the closing email or in another manner, for example, significant changes in revenue or in amounts being reported.
- **Quantification Schedules** – If not provided, please request excel copies of the quantification schedules as oftentimes DOS needs to review and access these schedule during the closing process.

Holder SOS VDA Submission

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- **SOS VDA Submission** – If the submission is presented piecemeal by property type or legal entity (e.g., the VDA is presented in buckets and resolved in buckets), SOS VDA Vendor should be sure to include all of the associated deliverables throughout the process which are related to the final settlement.
- **Narrative** - All Holders need to prepare a narrative which will be included as Exhibit C to Form VDA-2.
- **Property Reported to Another Jurisdiction which is Due to Delaware** - If a position is being taken that a Holder has erroneously reported unclaimed property to another jurisdiction, the Holder needs to provide enough information to Delaware to enable Delaware to request the funds from another state. Instances such as this should be addressed in the Closing Memorandum.
- **Compliance History** – If a Holder is asserting that it has an unclaimed property compliance history, the Holder should be able to document such history by legal entity, year, property etc. It is important for the compliance history to be detailed by legal entity, so it can be determined the impact of such compliance history, if any, on the SOS VDA Submission.
- **Credit for Amounts Previously Paid** – If a credit is being taken for amounts reported against an estimated amount, the amounts for that specific year should never be computed as a negative number. That is, a credit cannot be granted for an amount great than the estimate amount for a specific year.
- **Zero Dollar or Low Dollar VDA's** – Please specifically detail in the Closing Memorandum the reason for zero or low dollar VDA's and provide an explanation of what was done to confirm such. Management representation letters should address facts as to why the VDA is a zero or low dollar VDA.
- **Representations and Other Correspondence** – Formal documents which will become part of the SOS VDA Submission (e.g., legal memoranda and/or representation letters) should be addressed to the Secretary of State rather than the SOS VDA Vendor. These documents should be included in the DOS folder as attachments to the VDA-2 as part of Exhibit C.
- **Management Representation Letters** – Pursuant to the SOS VDA Estimation regulations, each Holder is expected to prepare a Management Representation Letter. A sample of the Management Representation Letter has been prepared. This letter should be edited as appropriate according to each Holder's specific set of facts and circumstances.

Holder Reporting

- **Line Item Detail** – The AP-2 is the hard copy form of the NAUPA file. Oftentimes this document is not provided as this information is provided in the NAUPA file. As part of the closing package, DOS needs the line item detail in a readable format in one file (which used to be included in the AP-2.) If a Holder does not provide the AP-2, then an excel spreadsheet is needed detailing each of the line items being reported.

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- **NAUPA File Upload**– Every Holder is required to upload a NAUPA file to the Department of Finance compliance website at the close of the VDA once payment is made.
- **Gift Cards and Line Item Detail** – When a Holder is reporting gift cards (or a similar instrument), property should not be reported in a consolidated manner. Line item detail for gift cards which would include any gift card number or coding should be included. This data will help the Department of Finance identify and return any gift cards which may be claimed by an owner. The original amount of the gift card along with the statutory reduction should be included in the AP-2. The difference between both numbers would be the amount reported.

SOS VDA Templates

DOS has developed various templates and tools to be used by the SOS VDA Vendor in performing services. These templates are available on the private SOS VDA Website for which the SOS VDA Vendor will be given access.

Note, the SOS VDA Vendor needs to notify DOS if access should be revoked for the restricted website for one of its employees should the employee leave the firm or no longer be working on Delaware SOS VDA's.

Any questions related to the use and application of these document should be directed to SOS.VDA@state.de.us or 302-739-4111.

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