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From the Los Angeles Times

## Contractors find property for state, for a cut

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Finding unclaimed bank accounts, stock certificates and other securities is a lucrative business for a handful of private companies that contract with the state to comb the books of corporations, insurance companies and financial institutions.

Since 1985, these contractors have delivered property to the state valued at \$1.13 billion and earned \$101.9 million in commissions, according to the California controller's office.

The contractors, who earn commissions ranging from 6.8% to 10.7% in California, say they provide an important service.

Affiliated Computer Services Inc. of Dallas says it has "worked closely with the state to successfully administer this program and to help reunite people with their property."

By law, corporations are required to turn over inactive accounts and unclaimed stock to state governments. The contractors say they make sure this happens — so the revenue goes into public coffers instead of remaining with private companies.

The idea of using private companies to help states enforce their unclaimed property laws was developed in the mid-1980s by David Epstein, who organized a group called the Unclaimed Property Clearing House.

The business later became a part of State Street Bank and then Affiliated Computer Services. Epstein continues to serve as a consultant to Affiliated and a number of states' unclaimed property programs.

But critics of California's program contend that the contractors — known as "auditing agents" — are merely bounty hunters with green eyeshades, vacuuming up assets wherever they find them.

"Their job is to scan the nation and identify where large repositories of unclaimed property exist," says Debbie Zumoff, chief compliance officer with the Keane Organization, a consulting firm that helps companies comply with state unclaimed property laws.

For many years, auditing agents pressured companies to turn over assets to state possession by promising waivers from financial penalties, according to a 2006 legal deposition by Daniel E. McKinley, the former audit manager at the controller's Unclaimed Property Division.

In effect, McKinley said, the promise also carried an implicit threat that the companies would be penalized if they didn't cooperate.

The practice of granting numerous waivers appears to have ended in the mid-1990s. But the volume of the state's dealings with the auditing agents has picked up significantly.

From 2001 until earlier this year, Affiliated Computer Services alone earned more than \$62.6 million in commissions. That's more than 60% of all commissions paid by the state to five companies since 1985, the controller's office reported.

California Controller John Chiang said he had ordered a full-scale audit of the unclaimed property program and of the state's dealings with all outside contractors. State Sen. Dean Florez (D-Shafter) has ordered his Governmental Organization Committee to hold "an old-fashioned investigative/oversight hearing" in August.

"We hire very aggressive companies that make a lot of profit out of this thing, and it isn't a good mix," Florez said.

A spokesman for Affiliated Computer Services said his company "looks forward to providing any information" Florez needs.

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