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MEMORANDUM

To: Rep. Waymaster and Members of the House Appropriations Committee
From: Treasurer Lynn Rogers
Date: May 3, 2021
Subject: Unclaimed Property System Information Pertaining to GBA Request

Timeline of the Unclaimed Property Systems

- In 2005, the current Unclaimed Property system, known as UP3, was constructed using current-at-the-time technology, security and standards. It was the first system constructed utilizing our new-at-the-time system framework.
- By 2015, our framework was showing its age. Many updates to online systems had taken place. Security standards had changed drastically and the features our users and the public were expecting were no longer being met by our systems.
- In late 2016, Estes's administration recognized the need to update the UP system and the UP4 project began. Even though the new framework made it much easier to start systems, UP4 was still estimated at 2 years to complete.
- In 2017, when the LaTurner administration began, other priorities were established and UP4 was quickly tabled.
- In 2018, the National Association of Unclaimed Property Administrators (NAUPA) announced the upcoming release of new standards, NAUPA III, was on the horizon. The UP3 system, being written completely around NAUPA II and in need of update would not be able to incorporate the new format. The UP4 project remained tabled.
- In late 2020, NAUPA announced the new format's release was anticipated for late 2021, early 2022. With a two-year timeline for creation of UP4, it was no longer feasible to do it in-house.
- In January 2021, NAUPA announced that NAUPA III would be released fourth quarter 2021. This has made the UP4 upgrade critical as the UP3 system would no longer be able to service our holders as the new filing format would be implemented.
- We are hoping our new system can be up and running by the beginning of fiscal year 2023.

What happens if we can't upgrade?

- We risk being out of compliance with KSA 58-3934-3980.
- The NAUPA III standard will provide holders with the ability to submit more and different types of data with their reports. UP3 does not have the ability to store these additional data fields. This could make it more challenging as we start to get claims against these properties.
- As holders start to switch over to the new standard, we may not be able to accept electronic files from them. This will at least slow down the report entry process. It may even become necessary to revert back to hand entry for many of our reports. Over the years electronic report submission has allowed us to reduce the number of staff we have for data entry. We may not be able to handle the additional load without hiring additional full time staff.
- We will potentially be unable to exchange electronic files with our reciprocal states once the new format is implemented. We have agreements in place with these states. This may also require additional manual entry dedicated to the exchange of properties between these states.
- UP3 is 16 years old. As the system continues to age, we run the risk of not meeting the ever-growing security risks inherent with information processing systems. It was time to upgrade this system 5 years ago and the project was tabled.