

Receivables Checklist

Internal Controls

As public servants, it is our duty to identify, monitor, and manage risk in our organizations. We have a responsibility to our citizens, creditors, and other financial report users, to protect tax dollars, government and federal funds, and our organization's reputation. An internal control system provides reasonable assurance that our work is accurate and free from bias; that nothing is misleading; is prepared in accordance with the highest standards; and complies with all applicable laws, regulations, and generally accepted accounting principles.

There are many reasons for placing controls in various points in these processes that may appear bureaucratic, but are necessary to ensure internal control guidelines are followed and there is accountability to the taxpayers. This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk. Each entity is responsible for reviewing their business practices and processes to determine where risks exist and where and how controls can be established to mitigate them.

Control Objectives:

1. Proper segregation of duties should exist to safeguard assets and provide appropriate checks and balances.
2. Physical security safeguards should be maintained where cash should be stored and processed.
3. Receipts should be properly recorded and deposited promptly and in a timely manner.
4. Revenues due should be received, recorded, and properly deposited in a timely manner.
5. Collections of revenues and receipts should be in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts should be fair, accurate, and in accordance with law.
6. The amounts of gross revenues recorded should be reasonable in relation to applicable legislation and related data such as prior year's statistics, number of licenses issued, contractual agreements, etc.
7. Refunds should be recorded and deposited in accordance with applicable laws and regulations, agency policies, or good business practices.
8. Prompt and accurate recording of all receivables should be maintained.
9. The ability to determine and report sources and age of receivables should exist.
10. Continuous and timely attempts should be made to collect on accounts when due. Ongoing documentation should be made on delinquent accounts over \$5000.
11. The portion of receivables that may not be collected should be identified.
12. Validity of write-offs, conversions, and settlement, or forgiveness of receivables should exist.
13. Repayments should be collected, controlled, and reported in a manner consistent with applicable laws and regulations.
14. Effective accounting controls over revenues should be maintained.
15. Personnel are adequately trained and have written procedures on how to process credit card transactions.

Example Segregation of Duties Controls Questions:

A.	Segregation of Duties:	Yes	No	N/A	Comments
1.	Are responsibilities for billing for services and fees segregated from those for collection and accounting?				
2.	Are responsibilities for maintaining detail accounts receivable records segregated from those for collection and general ledger posting?				
3.	Are responsibilities for collection, control, credit issuance, and deposit of funds activities segregated from those for maintaining accounting records?				

A.	Segregation of Duties:	Yes	No	N/A	Comments
4.	Are tax assessment rolls, etc., maintained by individuals not engaged in any accounting or collection function?				
5.	Are responsibilities for entries in the cash receipts records segregated from those for general ledger entries?				
6.	Are pre-numbered receipts, mail logs, and cash register readings independently controlled, accounted for, and compared to validated deposit documentation by an individual with no cash handling responsibilities?				
7.	Are all copies of voided receipt forms and cash register voids retained and accounted for and/or approved and documented by someone other than the individual that made the void?				
8.	Is mail opened and distributed by an individual other than accounting personnel?				
9.	Does the entity use computer software to account for receipts/revenues/receivables?				
10.	If computer software is used to account for receipt/revenues/receivables, is access to programs, and functions within programs, limited to those who have a legitimate need?				
11.	If computer software is used to account for receipt/revenues/receivables, are there procedures established for the recording of receipts on bank wire transfers?				
12.	If computer software is used to account for receipt/revenues/receivables, are rates entered into the computer for calculation of receivables (e.g. utility rates)?				
13.	Does the entity have an independent person entering the rates on the computer (e.g. utility rates)?				
14.	Is the entity testing rates to ensure that the proper calculations are being made by the computer (e.g. utility rates)?				
15.	Is the entity saving the testing of the new/updated rates (e.g., utility rates)?				

Example Procedural Controls Questions:

B.	Procedural Controls:	Yes	No	N/A	Comments
1.	Do procedures for sales, income and other taxes include database analysis to identify probable taxpayers by cross-referencing: <ul style="list-style-type: none"> -previously filed returns -business licensure -unemployment insurance payments -other applicable activities of the government? 				

2.	When annual payments are involved, do procedures for license, fees, and permits ensure previous year's records are properly updated for new registrants and withdrawals?				
3.	Do procedures for license, fees, and permits include use of the updated records as the basis for billing persons subject to payment?				
4.	Do procedures for fines, forfeitures, and court fees include maintaining and using court and other records of payments due as a basis for collections?				
5.	Do procedures for fines, forfeitures, and court fees include control of issuance and disposition of fee notices, to ensure amounts due are assessed and collected?				
6.	Do procedures for enterprise and other service revenues include controls to ensure usage records are accurately maintained, and amounts due are billed?				
7.	Are reviews completed to ensure amounts due are actually being collected?				

C.	Verification:	Yes	No	N/A	Comments
1.	Do general ledger procedures include timely and direct notification to the accounting department of billings and collection activity?				
2.	Do general ledger procedures include a periodic review of aged accounts receivable balances by supervisory personnel?				
3.	Do general ledger procedures include regular preparation of trial balances for individual receivable accounts?				
4.	Do general ledger procedures include reconciliation of trial balances with general ledger control accounts and investigation of reconciling items by other than accounts receivable clerks?				
5.	Do general procedures include monthly balancing of control accounts with detailed ledgers?				
6.	Are there controls in the system to ensure individual receivable records are posted only from authorized source documents?				
7.	Do general procedures include providing and accounting for pre-numbered credit memorandum forms?				
8.	Are there procedures and controls to provide assurance of compliance with grant requirements?				
9.	Do procedures for sales, income and other taxes include reviewing returns for mathematical accuracy?				
10.	Do procedures for sales, income, and other taxes include correlating current year's taxpayer returns with prior year's returns and accounting for and reviewing differences?				

C.	Verification:	Yes	No	N/A	Comments
11.	Do procedures for sales, income and other taxes include separately reviewing and approving claims for refund?				
12.	Do procedures for sales, income, and other taxes include auditing returns filed, to provide reasonable assurance taxable income is properly recorded?				
13.	Do procedures for licenses, fees, and permits include comparing current year receipts to those for prior years?				
14.	Do procedures for licenses, fees, and permits include having senior officials review explanations of variation?				
15.	Do procedures for fines, forfeitures, and court fees include sequentially numbering and satisfactorily accounting for all fine/fee-assessment documents?				
16.	Do general procedures include periodic review and approval by the legislative body of the rates for taxes, fines, fees, and services?				
17.	Do general procedures include authorization by the legislative body of utility rate schedules, as applicable?				
18.	Do procedures for enterprise and other service revenues include periodically rotating service-measurement readers?				
19.	Do general procedures include periodic review and approval by the legislative body for programs of tax exemption or relief?				

D.	Billing:	Yes	No	N/A	Comments
1.	Do general procedures prompt billing of service fees, taxes, etc?				
2.	Do general procedures include providing for an independent verification of quantities, prices, and clerical accuracy of billing invoices?				
3.	Where appropriate (for example, in enterprise funds), are statements of account balance mailed on a timely basis?				
4.	Are there procedures providing for timely notification to the accounting department at the time billings or claims are prepared and rendered?				
5.	At a minimum, do invoices contain: a unique identification number; company name, address, and contact information; description of what charges are for; the amount charged; the total owed; an invoice date; and a receipt date?				
6.	Do general procedures include numerical processing controls over billings?				
7.	Do general procedures include controls over the billing of miscellaneous revenues?				
8.	Are there procedures to prevent interception or alteration by unauthorized persons of billings or statements after preparation, but before mailing?				

D.	Billing:	Yes	No	N/A	Comments
9.	Do general procedures prompt investigation of disputes with billing amounts, reported by taxpayers or service recipients, by an individual independent of receivables record keeping?				
10.	Do general procedures include protecting records of receivables from destruction and unauthorized access?				
11.	Do procedures for enterprise and other service revenues include service readings performed in a timely fashion, if billing is based on usage?				
12.	Do procedures for enterprise and other service revenues include billing procedures providing for identification and investigation of unusual patterns of use?				
13.	Do general procedures describe how receivables are to be established?				

E.	Collecting:	Yes	No	N/A	Comments
1.	Do collection procedures include having the mail opener prepare a list of receipts?				
2.	Do collection procedures include having the mail opener give the receipts to the accounting personnel responsible for deposit preparation?				
3.	Do collection procedures include placing a restrictive endorsement on incoming checks as soon as received?				
4.	Do collection procedures include controls providing reasonable assurances interest and penalties are properly charged on delinquent taxes, fees, or charges for service?				
5.	Do collection procedures include controls surrounding the collection, timely deposit, and recording of collections in the accounting records at each collection location?				
6.	If payments are made in person, do collection procedures include the use of pre-numbered receipts for payment; and accounting for and balancing such receipts to collections?				
7.	Do collection procedures include timely notice of cash receipts from separate collection centers to the general accounting department?				
8.	Do collection procedures include performing an independent reconciliation of recorded receipts to the initial listing?				
9.	Do collection procedures include segregation and timely remittance of amounts collected on behalf of other governments or other governmental units?				
10.	Do collection procedures include monitoring taxes and fees collected by another governmental unit to assure timely receipt and reviewing amounts received for reasonableness?				
11.	Are receivable amounts aged monthly?				

E.	Collecting:	Yes	No	N/A	Comments
12.	Is aging of monthly receivables reviewed by authorized personnel?				
13.	Are procedures for exhausting all possible legal remedies to collect charged-off or non-collectable accounts (including tax, sale of property, liens, etc.) documented and updated periodically?				
14.	Do senior officials not involved in the collection function formally approve write-offs or other reductions of receivables?				
15.	Do collection procedures include a review of delinquent accounts, and take prompt action to collect or consider them for charge-off, on a timely basis?				
16.	Do procedures for fines, forfeitures, and court fees include correlating amounts collected with records of court proceedings?				
17.	Do accounts receivable record keeping procedures include reconciling the aggregate collections on accounts receivable against postings to individual receivable accounts?				
18.	Do accounts receivable record keeping procedures include periodic review of receivable accounts for credit balances?				
19.	Are penalties and interest assessed where allowable by law on late filing and/or late payments?				
20.	Do accounts receivable record keeping procedures exist to revoke licenses, deny permits, etc. if fees are not paid when due?				
21.	Do accounts receivable record keeping procedures exist to ensure that over payments are subsequently refunded and underpayment collected?				
22.	Is upper management promptly notified when accounts are deemed non-collectable?				
23.	Are procedures designed for other revenue areas ensuring timely payment of amounts due?				
24.	Are cash and checks stored safely until deposited?				