



Creating a Revenue Control and Management Policy (2007 and 2009) (TIM)

Background. A revenue control and management policy establishes proper control over all receipts and receivables and helps ensure sound financial management practices. Governments adopt a revenue control and management policy over revenues as a component of their overall financial policies. A manual that documents revenue control and management procedures can help implement the policy as well as serve as an effective internal control itself.

Recommendation. The Government Finance Officers Association (GFOA) recommends governments establish a revenue control and management policy and review it on an annual basis. This policy should be customized for the size and resources of the government.

The following factors should be considered in developing a general revenue control and management policy:

- Internal controls - Management should establish controls, and ensure they are documented and followed. All aspects of cash receipting and accounts receivables should be subject to proper internal controls including:
 - Segregation of duties such as authorization of transactions, execution of transactions (receipting and disbursement), recording transactions, reconciliation, maintaining custody.
 - Daily processing and timely deposits. Ideally, all funds should be deposited within 24 hours of receipt.
 - Reconciliation to applicable ledgers.
 - Physical security procedures. This is especially important for funds not deposited day of receipt.
 - Fraud reporting procedures.
- Accounting practices – All receipts and receivables should be recorded in accordance with generally accepted accounting practices.
- Billing practices - Accounts receivable should be established for services provided in advance of payment and terms for collection should be established. In accordance with established procedures, bills should be initiated, recorded in an accounts receivable system, and generated within an established time period after initial service delivery.
- Depositing of received funds - Treasury management should serve as the primary recipient for all revenue collection sites. There should be timely recognition and depositing of revenue collected.
 - Due to the special nature of funds received from grants, developers, partners and other entities, governments should consider whether separate procedures should be established for recording and depositing these funds.
- Collection - Receivables should be collected in a timely manner. Procedures should be established for delinquent accounts.
- Returned checks – Procedures for processing and collection of returned checks should be established.

- Accounts receivable management – All accounts receivable should be recorded in a manner that allows for aging analysis. After reviewing available collection options, governments should establish procedures that maximize collections. Collection agencies that are familiar with federal, state, and local notice requirements and regulations should be considered when their use proves cost-effective.
 - Bad Debts – An allowance for doubtful accounts and a write-off policy should be established. Bad debt expense should be estimated based upon a documented method of calculation. An allowance for doubtful accounts should be recorded. Write-offs should be performed periodically to ensure that accounts receivable and allowance balances are not overstated. Efforts should be made to pursue the timely collection of delinquent accounts.
- Budgetary review responsibilities – Revenue collections and accounts receivable should be monitored in a timely manner. Both actual and budgeted or forecast revenues should be monitored. Any variance of actual from the forecast or budgeted revenues should be investigated thoroughly.
- Compliance - Governments should ensure their revenue control and management policy and procedures are in full compliance with any federal, state, local or other applicable laws or requirements.

References.

- GFOA Recommended Practice: Adoption of Financial Policies, 2001.
- *Revenue Collection Administration: A Guide for Smaller Governments*, GFOA, Ian J. Allan, 1993.
- *Evaluating Internal Controls: A Local Government Manager’s Guide*, GFOA, Stephen J. Gauthier, 1996.

Approved by the GFOA’s Executive Board, October, 2009.