



GFOA Recommended Practice

Revenue Control and Management Policy (2007) (CASH)

Background. To ensure sound financial management practices and proper control over revenues, a government should adopt a revenue control and management policy as a component of overall financial policies. As part of performing governmental services, management must set policy to assure that proper controls exist over all receipts and receivables. Management must also provide the mechanisms enabling the implementation of proper procedures.

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 appropriate for the size and resources of the government.

The following factors, as applicable, should be considered in the development of a revenue control and management policy:

- Internal Controls - All aspects of accounts receivable and cash receipting shall be subject to proper internal controls that include segregation of duties, daily processing, timely deposits, reconciliation to applicable ledgers, automated system resources, physical security procedures and fraud reporting procedures.
- Accounting Practices – All receipts and receivables should be recorded in accordance with current authoritative standards and practices.
- Billing Practices - Accounts receivables should be established for services provided in advance of payment and there should be established terms for collection.
- Depositing of Received Funds - Treasury management should serve as the primary recipient for all revenue collection sites.
- Collection - Receivables should be collected in a timely manner. Specific procedures should be established for delinquent accounts.
- Returned Checks – There should be established procedures for processing and collection of returned checks.
- Bad Debt – An allowance for doubtful accounts and a write-off policy should be established.
- Budgetary Review Responsibilities – Revenue collections and accounts receivable should be monitored in a timely manner.

References.

- GFOA Recommended Practice, *Revenue Control and Management Policy: Cash Receipts Controls*, www.GFOA.org
- GFOA Recommended Practice, *Revenue Control and Management Policy: Accounts Receivable Controls*, www.GFOA.org
- GFOA Recommended Practice, *Adoption of Financial Policies*, www.GFOA.org
- *Evaluating Internal Controls: A Local Government Manager's Guide*, GFOA, Stephen J. Gauthier, 1996.
- *Revenue Collection Administration: A Guide for Smaller Governments*, GFOA, Ian J. Allan, 1993.

Approved by the GFOA's Executive Board, October 19, 2007.