



RECEIPTING ACTIVITIES

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding receipting activities. These questions can be used to aid in designing a proper system of internal control over receipting activities that will allow deficiencies in receipting activities to be prevented or detected and corrected. It is not necessary to address all questions in this document. These are only suggestions and ultimately it is up to the unit on how they implement it. The internal control system as a whole has to be designed and implemented appropriately in order to allow errors and deficiencies in receipting activities to be prevented or detected and corrected.

Components of Internal Control:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Control Environment - Sets the tone of the unit and influences the effectiveness of internal controls within the unit. It comprises the integrity and ethical values of the unit and is set by the governing board and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control.

The questions in this section are divided by questions that pertain to the governing board, management and both the governing board and management.

Governing Board:

	YES	NO
1) Does the governing board oversee the unit's internal control system over receipting activities?		
2) If considered necessary, did the governing board establish an oversight committee and appoint members with high ethical values, excellent communication and problem solving skills?		
3) Does the unit have a mission statement, objective and goals?		
4) Does the governing board convey periodic messages of expectations to all employees?		
5) Are there written policies documenting internal control procedures over receipting activities? If yes, do these written policies outline the authority and responsibility for receipting activities within the unit?		
6) If credit cards are an acceptable form of payment for the unit, did the governing board approve policies on the handling credit card transactions and deposits, procedures for another acceptable form of payment when a credit card is declined and a refund policy?		
7) How involved is the governing board in understanding the entity's receipting activities, overseeing the effectiveness of internal controls over receipting activities, and evaluating whether the accounting records that support receipts are correct? For example, is the governing board's involvement limited to attending board meetings, or does the board oversee other things such as unit controls, accounting practices, etc.		
8) Did the governing board develop an organizational chart? If yes, is the organizational chart current and accurate?		
9) Have job descriptions been created outlining specific duties? Is yes, do these duties address responsibilities required for receipting activities?		
10) Has fiscal authority been formally delegated to specific management personnel?		
11) Did the governing board develop a formal employee evaluation system to set the intervals in which employees will be evaluated? If yes, does the formal evaluation system include disciplinary action that will be taken if an employee does not meet the expectations noted in the evaluation system?		
12) Does management provide documented processes regarding receipting activities to the governing board for review?		
13) How does the governing board oversee the activities of management that are related to financial reporting? What oversight does the governing board give on the accounting records?		
14) Are accounting department employees required to take vacations?		
15) Has the governing board developed and implemented an ethics policy? If yes, does the policy address potential conflicts of interest? Is there a system of annual acknowledgment in place where either through e-mail submission or manual documentation, each official and employee attests that they have read the policy and will adhere to the policy?		
16) Are there regular meetings of the governing board to set policies and objectives and review the unit's performance?		
17) Are the minutes of such meetings prepared and signed on a timely basis?		
18) Are confidentiality agreements required for employees who come in contact with confidential information?		



	YES	NO
19) Are policies regarding personal use of computer equipment and software clearly stated?		
20) Are fees charged specifically authorized by statute or established by the governing board through an ordinance or resolution?		

Management:

1) Does management develop and maintain documentation of the internal control system over receipting activities?		
2) What procedures did management put in place for receipting activities? a. Does management assign responsibility, and delegate authority to achieve proper receipting activities?		
3) Does management establish an organizational structure, assign responsibility and delegate authority in order to achieve proper receipting activities? If yes, did management establish and document the organizational structure of each office and department. Examples of items to incorporate into the structure could include: an organizational chart; outline of specific duties; designation of responsible persons for each part of the accounting process; documentation of internal control procedures over specific accounting areas; etc.		
4) Does management ensure compliance with the unit's personnel policies and procedures concerning hiring, training, promoting and compensating?		
5) Does management check credentials and references for new employees?		
6) Do employees who are involved in the receipting process receive continuous or periodic training? If yes, what kind of training do employees receive to help them maintain their accounting and financial reporting competencies? a. What background, education, and experience do accounting personnel have that assist them with their duties?		
7) Does management reward employees for following good internal control practices through promotions or increase in compensation?		
8) Is turnover of key fiscal personnel relatively low?		
9) Does the workload of accounting employees facilitate the preparation of reliable accounting records?		
10) Does management evaluate performance and hold individuals accountable for their responsibilities? If yes, what action is taken for employees not performing their responsibilities?		
11) Is cross training completed to ensure that more than one employee is knowledgeable about the receipting process? This cross training would allow more than one employee to be aware of potential design deficiencies in the internal controls or of noncompliance with internal controls.		
12) Do accounting supervisors frequently prepare reports or reconciliations to verify the accuracy of financial transactions?		
13) Does management take an active role in the financial reporting of the unit?		
14) Is management actually involved in supervision of the various functions?		
15) Does management ask employees for their suggestions on how to improve processes?		
16) Has management given a high priority to its internal control structure?		
17) Does management emphasize meeting the budget and/or financial and operating goals?		
18) Is management willing to adjust the financial statements for misstatements that approach a material amount?		
19) Does management discuss internal controls at management and other staff meetings?		
20) Are there documented procedures for employees to follow when collections do not reconcile to the receipts issued?		
21) If credit cards are accepted as a form of payment and a refund policy was established by the governing board, is the refund policy clearly displayed or communicated to the customer at the time of the initial transaction?		

Governing Board and Management:

1) Does the governing board and management stress adherence to policies and procedures?		
2) Is there a clear assignment of responsibility and delegation of authority to deal with such matters as organizational goals and objective, operating functions and regulatory requirements?		
3) Is there a secure area provided for processing and safeguarding incoming cash receipts? If yes, is access to the secured area restricted to authorized personnel only and is the secured area locked when not occupied?		



Risk Assessment - Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. It is the basis for determining how risk will be managed.

	YES	NO
1) Does management identify, analyze and respond to risks over receipting activities?		
a. What areas have been identified regarding receipting activities that may be exposed to fraud risk?		
i. Risk factors may include non-compliance with statutes, changes in management or employees, competence and experience of personnel assigned to receipting activities, findings reported in prior audits regarding receipting activities, new accounting system, new technology allowing alteration of documents, volume of receipt transactions, inaccurate financial statements, understated sales, theft of cash received, substitution of checks for cash, recording receipts in incorrect periods, receipts not issued at time of collection, unauthorized journal entries, inaccurate fs, recording receipts in incorrect periods, reporting more receivables and less cash, unauthorized adjustments or journal entries, understated sales, etc.		
b. Does management analyze the identified risks to determine the effect of the risk on achieving proper receipting procedures? For example, does management consider how likely the risk will occur, how it will impact the objective, if the risk is based on complex or unusual transactions, if the risk is based on fraud.		
c. How has management addressed risks associated with using computerized accounting records, such as unauthorized access to applications or data, potential loss of data, and reliance or inadequate systems that may adversely affect internal control?		
d. How has management responded to identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and institute proper internal controls.		
e. When needed, does management go back to the governing board to enact or modify policies that will that will clearly define these areas?		
2) Does management clearly define proper receipting activities to enable the identification of risks and defines risk tolerances? Documentation of receipting activities should be clear and address items such as who will be involved in receipting activities, how proper receipting activities will be achieved, and when will proper receipting activities be in place.		
3) How does management prevent fraud and errors in the accounting records, which are used to record receipts? For example, are important internal control procedures in place such as approvals, regular preparation or review of reconciliations, review of supporting schedules or reports, etc.?		
4) Is management continually aware of changes, both external and internal, that could affect receipting activities? If yes, does management determine any modifications needed in the internal control process to adopt to these changes?		
5) Did the governing board and/or management incorporate external requirements, such as state statutes and Uniform Compliance Guidelines?		
6) What procedures are in place to ensure that collections received were properly reflected in the accounting records?		
7) Are employees involved in the receipting process bonded?		

Control Activities - The actions and tools management establishes through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives and to respond to risk in the internal control system.

An integral part of the control activity component is segregation of duties. However, in very small governmental units, such segregation may not be practical. In this case, compensating activities should be implemented which may include additional levels of review for key operational processes and random and/or periodic review of selected transactions. In smaller units, these reviews and testing of processes might be performed by governing boards or other elected officials.

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. Clear documentation should be maintained for continuity as well as ease of communication to outside parties.

	YES	NO
1) Is there a system of checks and balances (segregation of duties) to ensure the proper collection and reporting of receipts?		
a. Are responsibilities for collecting money and issuing receipts segregated from those preparing the bank deposit?		
b. Are responsibilities for collecting money and issuing receipts segregated from those posting the records?		
c. Are responsibilities for making bank deposits segregated from those preparing the monthly bank reconcilements?		
d. Is a reconciliation between the receipts ledger and the credits to the bank account completed periodically by an individual separate of the receipting process?		
e. Are responsibilities for making bank deposits segregated from those posting the records?		
f. Are responsibilities for issuing receipts segregated from those who open the mail?		



	YES	NO
g. Are responsibilities for billing segregated from those who mail the bills?		
h. Are responsibilities for collecting money and issuing receipts segregated from those who issue permits or licenses?		
i. Are responsibilities for customer billings segregated from those involved in the receipting process?		
j. Are responsibilities for maintaining accounts receivable records segregated from those involved in the billing process?		
k. Are responsibilities for receipting activities segregated from those involved in disbursing activities?		
l. Are non-sufficient funds checks delivered to an individual independent of those processing and recording collections?		
m. Are responsibilities for processing credit card payments segregated from those involved in processing voided credit card transactions?		
n. Are responsibilities for processing credits or refunds segregated from those involved in the payment processing function?		
o. Are responsibilities for reconciling credit card payments segregated from those processing payments, voids, credits and refunds?		
p. Are reviews made of deposit slips by someone outside the receipting process to verify all deposit slips are accounted for?		
2) Are collections received by mail?		
a. Is the mail opened by two people?		
b. Are all remittances collected by mail documented on a list of receipts at the time the mail is opened? If yes, is the list prepared by an individual other than those opening the mail? If remittances collected by mail are documented on a list of receipts, are copies of the listing forwarded, along with the money, to the cashier or depositor?		
c. Does an individual who does not open the mail and is not the cashier or depositor compare the list with the deposit?		
d. When opening mail, are checks endorsed or stamped "For Deposit Only"?		
e. Are other copies attached to collections received through the mail as supporting documentation to the accounting transaction? If yes, are these documents enclosed with the currency, are the documents machine date stamped or dated and initialed by the individual opening the mail?		
3) Did management design the entity's information system and related control activities to ensure proper receipting activities?		
a. Did management implement control activities through written policies?		
4) Are deposits of all receipts made according to state statute?		
5) Are receipts issued timely for electronic deposits? What procedures are in place for identifying and issuing receipts for electronic deposits?		
6) Are there established procedures for follow-up of non-sufficient funds checks?		
7) Are pre-numbered duplicate receipts issued for all money collected?		
8) Are duplicate receipts retained?		
9) Is an approved or prescribed receipt form used? If no, are other receipt books used in place of an approved or prescribed receipt?		
10) Are receipts issued at the time of collection?		
11) If you are using any software to issue receipts, is there a backup system for issuing receipts when the system is down and not accessible?		
12) Do voided receipts require review and authorization by management?		
13) Are voided receipts with supporting documentation retained?		
14) Are separate cash drawers used for each individual collecting money? If yes, is access limited to the individual responsible and assigned to that cash drawer?		
15) Are collections stored in a secure location?		
16) Are collections reconciled to receipts issued (or other cash reports) by someone other than the individual collecting the money? If no, are these reconciliations reviewed and approved by management? If yes, is this review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
17) Are collections accounted for and balanced to receipts issued or other collection records daily?		
18) Is monitoring performed on all cash longs and shorts?		
19) Are collections promptly and accurately recorded in the records?		
20) Are collections deposited in the form originally received? Do receipts indicate the type of payment received (cash, check, etc.) and is this reconciled to the make-up of the bank deposit (cash, check, etc.)?		
21) Are delay of deposits avoided by making sure fund distribution are immediately determinable?		
22) Are there comparisons of deposit amounts and dates with cash receipt postings?		
23) Are adjustments to customer accounts properly documented and reviewed by an individual independent of the billing and accounts receivable processes?		



	YES	NO
24) Are receivable amounts aged monthly? If yes, is the aging of monthly receivables reviewed by an authorized individual?		
25) Does the governing board approve bad debt write offs?		
26) Are procedures provided for executing all possible legal remedies to collect charged-off or non-collectable accounts?		
27) Do accounts receivable record-keeping procedures include reconciling the aggregate collections and balance of the accounts receivable control against postings to individual accounts receivable accounts?		
28) Are periodic reviews made of receivable accounts with credit balances?		
29) Are overpayments subsequently refunded and underpayments collected?		
30) Are individuals involved in the receipting process knowledgeable?		
31) Is access to receipt applications appropriately controlled by user logins and passwords? Do individuals involved in receipting activities share their user id and password?		
32) Are there procedures for authorizing and recording inter-bank and inter-fund transfers and providing for proper accounting for those transactions?		
33) Are investigations made of unusual journal entries?		
34) If credit cards are an allowable form of payment, are the following procedures in place?		
a. Are pre-numbered receipts or number computed generated receipts used so that all credit card collections are accounted for?		
b. Is a log or receipt register used to account for credit card collections? If yes, does the log or receipt register contain the same information as a prescribed receipt?		
c. Are the daily receipts total from all credit card processing devices printed and used to reconcile each business day? If yes, are variances investigated in a timely manner?		
d. Are employees trained to know when a settlement cut-off time occurs in order to correctly reconcile the daily transactions?		
e. Are total credit card receipts or reports reconciled on a daily basis to the total dollar value sold? For example, total dollar amount reconciled to number of licenses issued via credit cards		
f. Are the credit card amounts reconciled on a day-by-basis to a statement from the bank servicing the credit card?		
35) If credit card collections are accepted over the internet are the following procedures in place?		
a. Is the amount charged based on the customer's payment selection?		
b. Are basic security measures in place to reduce fraud for credit card collections accepted over the internet? These measures are components of an online service that a unit would employ to receive electronic payments.		
36) If credit card collections are accepted face-to-face, are the following procedures in place?		
a. Before the transaction is electronically submitted for approval, is the amount reviewed to ensure the dollar amount charged is correct?		
b. Is the name on the credit card and the last four digits of the account number compared to the data on the receipt?		
c. Is the customer's signature on the sales receipt compared to the signature on the back of the card?		
d. Is the name on the credit card verified against other personal identification in the possession of the user such as a photo ID?		
e. Do only the last four digits and the expiration date appear on the cardholder's copy of the printed receipt?		
f. If the credit card magnetic strip cannot be read, are there procedures for manually entering the credit card information?		
37) If credit card refunds are issued, are the following procedures in place for refunds?		
a. Are credit card refunds issued in a timely manner, i.e., as near as possible to the date of the original transaction?		
b. Is there appropriate documentation on file with the credit card refund?		
c. Are credits issued to the same credit card used in the original transaction?		
38) Does the unit have separate cash collection points?		
a. Are there proper controls at each collection point to assure timely deposits and accurate recording of collections?		
b. Are there timely notices of receipts collected at separate collection points given to a central accounting department?		
c. Are collections received at separate collection points transmitted to the central accounting department through the banking system?		
d. Are daily reported receipts at separate collection points compared to records of the accounting department?		
39) If the unit bills for services, are the following procedures in place?		
a. Are billings of service fees and taxes billed timely?		
b. Do procedures include providing for an independent verification of quantities, prices, and clerical accuracy of billing statements?		
c. Are statements of account balances mailed on a timely basis?		



	YES	NO
d. Are there procedures providing for timely notification to the accounting department at the time billings are prepared?		
e. Do billings contain a unique identification number; name, address, and contact information; description of charges; the amount being charged; billing date; due date; and account balance?		
f. Do procedures include numerical processing controls over billings?		
g. Do procedures include controls of the billing of miscellaneous revenues?		
h. Are penalties and interest assessed on delinquent payments where allowable by law?		
i. Are there procedures to prevent interception or alteration by unauthorized persons of billings after preparation, but before mailing?		
j. Do procedures prompt investigation of disputes with billing amounts, reported by taxpayers or customers, by an individual independent of the accounts receivable record keeping process?		
k. Do procedures include protecting records of receivables from destruction and unauthorized access?		
l. Do procedures for revenues that include service readings performed in a timely fashion, if billing is based on usage?		
m. Do procedures include providing for identification and investigation of unusual billing patterns?		
n. Do procedures describe how receivables are to be established?		

Information and Communication - Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information.

	YES	NO
1) Are procedures established to ensure that proper communication and documentation exists for internal communications between offices, departments, management and the governing board regarding receipting activities?		
a. How does the unit internally communicate information regarding receipting activities to employees, including objectives and responsibilities for internal control? Are records maintained to document this communication?		
b. Are procedures established to ensure that the communication requirements are being followed and necessary information is being communicated properly?		
c. Are procedures established for feedback on and clarification of the information provided?		
2) What procedures are in place to collect the information needed to ensure proper receipting activities?		
a. Does management use the most current information available to ensure receipting activities are working properly?		

Monitoring - Activities that allow management to assess the quality of internal controls over time and make adjustments as necessary. Proper monitoring ensures that controls function properly.

	YES	NO
1) Are procedures in place to ensure that appropriate personnel perform their required duties sufficiently and adequately follow the policies and procedures of the unit regarding receipting activities?		
2) Are internal control procedures over receipting activities evaluated and adjusted on a regular basis? For example, personnel changes, newly elected officials, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls over receipting activities?		
3) Are monthly reports detailing receipts of the funds provided to the appropriate department to review for accuracy and reasonableness?		
4) Are monthly reports detailing receipts of the funds provided to management to review for accuracy and reasonableness?		
5) Are monthly receipt reports provided to the governing board to review?		
6) Does a confidential reporting system exist so that individuals may report suspected fraud and abuse of the unit's policies?		
7) Is there a comparison by the appropriate level of management or another designated individual of actual receipts to budgeted and prior receipts? If yes, are investigations performed for all variances noted?		
8) Are unannounced cash counts performed?		