SECTION 8 – CASH RECEIPTS/ACCOUNTS RECEIVABLE

Overview

Most local governments collect revenue from the public through various channels such as in-person transactions, mailed payments, and electronic methods including cash, personal checks, credit and debit card transactions, or money orders. Additionally, many jurisdictions facilitate online payment options and direct debit arrangements for recurring payments such as monthly utility bill payments. Collections may occur at multiple locations throughout the government's operations including:

- Tax Payments
- Utility Payments
- Various Fees and Charges
- Court Collections
- Permits and Licenses
- Other Service Charges
- Intergovernmental Revenues

Each payment must be thoroughly documented, either by issuing prenumbered manual receipts or by using electronic devices, such as cash registers and/or computers, that generate receipts. For ongoing services, like utilities, governments need reliable accounting systems to track what is owed and what has been paid by users. Maintaining accounts receivable records, whether manually or electronically, is a key aspect of internal controls for payment processing. These records are also essential for preparing interim and annual financial statements and for evaluating the financial status of the local government.

A comprehensive system of internal controls is necessary to ensure that every amount due is properly collected, recorded, documented, and deposited into the government's accounts. Documentation should provide both detailed and summary information that is crucial for balancing, reconciliation, and auditing. End-of-day procedures should require reconciling all records with the total cash, checks, and other payments received, and recorded daily in the accounting system, either manually or electronic integration between the payment processor and the government's accounting system. Implementing such controls.

Small Government Considerations

Smaller governments often struggle with separation of duties due to having a limited number of employees. Effective and efficient oversight over receipts and receivables to detect and deter loss due to error and fraud is best established through strong management commitment to this objective, and the implementation of revenue control procedures and policies that are appropriate for the size and employee count of the government External auditors can provide useful guidance for evaluating internal control and fraud prevention. Such guidance may be in the form of checklists or programs utilized by the auditors to evaluate internal controls during the annual audit. Organizations representing or including government finance practitioners also offer publications and resources on the topics of internal controls and fraud awareness.

Small governments should carefully evaluate, choose and maintain a suitable computerized system and payment system based on budget and information technology capability. Local governments can turn to external service providers or financial institutions that can offer or run software applications remotely to lower the systems costs of maintenance, support, and disaster recovery or provide a platform of fraud prevention.

Frequent Challenges

Frequent challenges often encountered by local governments in establishing appropriate controls over collections including the following:

- Failure of management to establish internal controls, evaluate the continued effectiveness of the controls established, or document the monitoring of adherence to established procedures.
- Lack of adequate separation of duties related to physical access to the payments and the recording of the payments. For example, placement of responsibilities for receipt of money, issuance of receipts, recording of collections in the accounting records, preparation of bank deposits, and reconciliation of collections to amounts deposited with one individual increases the possibility that errors or fraud would not be detected.
- Lack of documentation at the initial point of collections for payments received through the mail, or the handling of payments by multiple employees who perform different duties in the receipt and processing of payments prior to deposit. The custody of payments should be documented from the point of receipt to the point of deposit.
- More than one person operating out of a single cash register or drawer. This can preclude identification of the individual responsible for any shortages.
- Failure to utilize pre-numbered forms or computer-generated receipting alternatives to document payments. This documentation is necessary to establish that all receipts have been deposited and recorded in the accounting records.
- Failure to utilize programs offered by financial institutions for fraud prevention
- Failure to deposit receipts timely and/or properly secure collections prior to deposit.
- Failure to report missing collections to the proper authorities.
- Failure to record receipts and receivables in accordance with GAAP. To help ensure the proper recording of receipts and receivables, local governments should consult the Uniform Accounting System Manual promulgated by DFS.
- Lack of reconciliation of daily collections (cash, check, and credit card payments) with the records used to document the receipt of payments by someone not involved in the actual collection process. Such supervisory review is particularly essential for small governments with limited ability to separate the duties related to collections.
- Lack of adequate procedures for the follow-up of unpaid fees, including failure to assess late charges or other penalties, or to discontinue service, in accordance with Florida law or local ordinances. Policies and procedures should be established to ensure that non-payment of fees is promptly detected and addressed in accordance with the Florida law and the local government's ordinances and policies regarding delinquent accounts.
- Lack of cash collection policies for employees accepting payments defining the actions taken by management for cash short/over occurrences which provide a schedule of verbal or written reprimands, including conditions of termination for larger dollar amounts or greater occurrences when daily cash reconciliations do not balance. No force balancing should be permitted.

Governments should work with their external auditors to resolve any concerns related to the implementation of effective controls over cash receipts and accounts receivable, including the identification of compensating controls when the local government does not have sufficient staff to properly separate duties.

References

- Section 219.07, Florida Statutes - Deposit of public money. Official link
- Chapter 280, Florida Statutes - Florida Security for Public Deposits Act. Official link
- Florida Department of Financial Services - Local Government Financial Reporting. Official link
- Government Finance Officers Association - Revenue collection and internal control resources. Official link