

OREGON ACCOUNTING MANUAL		Number 10.30.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date July 1, 2001
Chapter	Internal Control	.1 OF .2
Part	Revenues	
Section		Approval Signature on file at SCD

Authority **ORS 291.015**
 ORS 293.590

Revenue Controls

- .101 Separation of duties is a primary revenue control. Only specifically authorized individuals should be responsible for collection and recording of revenue. No one person should handle a revenue transaction from beginning to end. Ideally, an individual should not be responsible for recording both revenue and expenditure transactions. If separation is not possible, compensating controls including periodic independent reviews as appropriate with respect to timing of the revenue stream must be in place. Such independent checks should be performed by management or external parties.
- .102 Management should assure timely reconciliation of subsidiary accounts to control accounts and provide adequate review and approval of reconciliation documentation.
- .103 Managers should compare revenue accounts and amounts to prior-year data and to multiple-year trends to ascertain whether any unusual fluctuations are present. Comparisons should be made to budgets, monthly internal reports and forecasts to determine whether events have occurred that require explanation or analysis by management.
- .104 The best control over revenue is control over the source of the revenue. Four examples are:
 - a. Accounting control over merchandise inventory, including periodic physical inventories by an individual who does not maintain the inventory, provides the best assurance that all sales of merchandise are recorded. In this regard, the inventory account should be credited only for recorded sales transactions. All credits to the inventory control account other than sales transactions should be reviewed by the internal auditor, if applicable, or the chief financial officer.
 - b. Control over service hours provides the best assurance that an accounting has been made for all sales of services on an hourly basis. In this regard, service hours should be controlled until they are either billed or written off by an authorized person.
 - c. Some types of revenue are controlled by the issuance of serially numbered licenses, permits, tickets, food stamps, and similar items which provides an accountability over the revenues collected. Periodically, at least annually, the number of licenses and similar items issued should be reconciled with the number available for issuance and the revenues collected. A perpetual inventory of licenses, permits and similar items is recommended.

- d. For day-to-day revenue streams, there are special mechanisms in use which afford revenue accountability. These include treadle, turnstile and other meters which independently record the number of customers serviced. Readings from these control devices should be reconciled daily with collections by an individual not responsible for collections.

Deposits

- .105 In some agencies, deposits are required for various purposes, such as for rental of equipment, dormitory room deposits, pre-registration deposits, and contractors' bid deposits. Records should be established to record the receipt and disposition of such deposits. In most cases, subsidiary records are required to show the name of payors to whom individual deposits will be refunded or credited. Periodically, but not less than annually, the total of the balances of subsidiary records should be reconciled with the deposit account.

Receivables

- .106 Internal controls over receivables should provide for a proper division of functional responsibility. Proper division exists when all amounts entered in the receivable control account originate in sections or units other than the receivables section. Smaller agencies may have to rely on compensating controls. Debits should be transmitted from the billing section and credits for cash receipts from the cashier. Management should divide the functions in such a way that all non-cash credits to receivables are controlled by an officer or responsible employee who does not have access to or authority over the cash books. All non-cash credits to customers' accounts should be authorized by the chief financial officer or other accounting manager not responsible for recording the credits.
- .107 Invoices received from the billing section should be accompanied by the total amount of the invoices presented. If this is not done, a tape should be run in the receivables section so that the total posting may be proved against this pre-run total. There should be a daily proof of all postings against the entries in the control account.
- .108 Information with respect to cash receipts should come from the cashier in the form of a list of receipts or, in larger organizations where total receivables necessitate, in the form of a remittance advice. A pre-run total should be obtained to act as a proof against the sum of the credits posted to the receivable account.
- .109 Regular monthly balancing of the subsidiary ledgers with the control account by an independent person is an essential internal control. Without this monthly reconciliation, errors are more difficult to locate. Monthly reconciliation isolates any error on a timely basis and thus reduces the time necessary for identification and correction. Reconciling items should be promptly resolved.
- .110 Monthly statements should be prepared and mailed early in the month. This task should be done by some person independent of the cashier, credit, or receivables section. Where the statements are prepared as a part of the posting process, an independent person should check the original statement against the ledger. The control over these statements should be such that any undeliverable statement and any complaints received about the statement should be channeled to the person who prepared or checked the statements and mailed them, not the receivables accountant. The control comes from separating the statement from the person who is responsible for the original postings of receivables.
- .111 Refer to Oregon Accounting Manual Chapter 35, Accounts Receivable Management, for details regarding Liquidated and Delinquent Accounts as well as Interagency Receivables, Billings, and Payments.