

**Chapter 7**  
**Accounting and Control of Revenues and Accounts Receivable**

- 7.0 POLICY STATEMENTS**
- 7.1 INTRODUCTION**
  - 7.1.1 Purpose
  - 7.1.2 Policy Objectives
  - 7.1.3 Revenue Process
  - 7.1.4 Definitions
  - 7.1.5 Classification of Revenue
  - 7.1.6 Assignment of Responsibilities
- 7.2 IDENTIFYING AND CLAIMING REVENUE**
  - 7.2.1 Charging Fees for Services
  - 7.2.2 Proposals for Introducing or Changing Fees and Charges
  - 7.2.3 Proportion of Costs Recovered
  - 7.2.4 Periodic Review and Adjustment
  - 7.2.5 Budget Bureau Assistance
  - 7.2.6 Claiming Revenue
  - 7.2.7 Methods of Claiming Revenue
  - 7.2.8 Adequate Controls
- 7.3 BILLING, CONTROLLING AND COLLECTING ACCOUNTS RECEIVABLE**
  - 7.3.1 General
  - 7.3.2 Billing Procedures
  - 7.3.3 Accounting for Receivables
  - 7.3.4 Collection of Receivables
  - 7.3.5 Bankrupt Debtors
  - 7.3.6 Missing Debtors
  - 7.3.7 Cost Sharing with Other Governments/  
Expenditure Recoveries
  - 7.3.8 Deletion of Debts/Write-offs
- 7.4 CONTROL OF CASH RECEIPTS**
  - 7.4.1 Cash Handling/Receipt of Cash
  - 7.4.2 Recording of Cash Receipts
  - 7.4.3 Custody of Cash Receipts
  - 7.4.4 Deposit of Cash Receipts

**Chapter 7 Accounting and Control of Revenues/Receivables**

---

- 7.4.5 Reconciliation Procedures
- 7.4.6 Cash Overages/Shortages
- 7.4.7 Accepting Credit Cards and Debit Cards

**7.5 REPORTING OF REVENUE**

- 7.5.1 Content of Reports
- 7.5.2 Use of Reports
- 7.5.3 Reconciliation of Revenue
- 7.5.4 Cost-Sharing Programs

## **7.0 POLICY STATEMENTS**

### Assignment of Responsibilities

Financial officers are responsible for the collection, management and accounting for revenue under the direction of the deputy head of their departments, and within the financial control and cash management policies of the Deputy Head of the Department of Finance.

### Identifying and Claiming Revenue

Departments should ensure that there is enabling legislation or other authorities for the collection of revenues and that related procedures are in accordance with these authorities.

Departments should consider whether charges should be levied taking into account the intent of their legislation, the purpose of the goods and services being provided and their cost, as well as the cost of collecting such revenue.

Revenue should be collected whenever possible before or at the time services are rendered or goods supplied.

Systems should effectively ensure that all revenue to which the government is entitled is claimed.

### Control of Cash Receipts

All cash received should be properly safeguarded, promptly deposited, appropriately recorded and regularly accounted for.

### Billing, Controlling and Collecting Accounts Receivable

If cash cannot be collected before or at the time services are rendered or goods supplied, and when there is no other authority, Department of Finance approval should be obtained to require deposits or extend credit, and appropriate accounts receivable records should be established.

Department of Finance should establish procedures for reviewing and collecting accounts receivable; The Accounts Receivable unit is charged with the collection of non tax accounts receivable. Tax accounts receivable other than those levied under the Assessment and Taxation Act and the Liquor Tax Act are the responsibility of the Revenue Branch of the Department of Finance. Collection of taxes under the Assessment and Taxation Act is the responsibility of the Department of Community and Transportation Services. Collection of taxes under the Liquor Tax Act is the responsibility of Yukon Liquor Corporation.

Accounts Receivable that are uncollectible should be written-off in

**7.0 (Continued)**

accordance with the provisions of the Management Board Directive dealing with write-offs where applicable, should be obtained to write-off the accounts that are uncollectible. Where the amount of the write-off exceeds the authority of the Treasurer, Commissioner's approval of the write-off is required.

**Standard Reporting Procedures**

Revenues collected/charges levied should be recorded in the General Ledger system for analysis, and reporting.

Accounts receivable outstanding at the end of the fiscal year should be reported for review and inclusion in the Territorial Accounts.

**Cost-Sharing Programs**

Costs incurred under cost-sharing programs should be recorded gross, with costs recovered being recorded as recovery.

## **7.1 INTRODUCTION**

### **7.1.1 Purpose**

The purpose of this Chapter is to document and communicate government policies, practices and procedures for departments to follow, for determining, claiming, recording, controlling and reporting earned revenue and refunds of expenditures; and for the handling of public funds and funds entrusted to our care.

Accounting and control of revenue and accounts receivable should receive the same attention and dedication as the accounting and control of expenditures.

### **7.1.2 Policy Objectives**

The Financial Administration Act requires that all revenue shall be paid into the Yukon Consolidated Revenue Fund, unless otherwise specifically authorized by appropriate legislation.

It is the government objective to claim revenue as prescribed in applicable legislation, regulations, agreements or other appropriate authority; and to ensure that when public funds are received that they are adequately accounted for, safeguarded and deposited to the credit of the Yukon Government as quickly as possible.

### **7.1.3 Revenue Process**

The revenue process involves the following:

- Identifying the taxes, fees, fines, goods, or services, permits or licences for which fees are or should be charged.
- Obtaining legislative or other appropriate authority for levying the charge.
- Claiming revenues as they arise.
- Collecting, recording and depositing revenues collected.
- Recording, collecting and controlling accounts receivable.
- Controlling, safeguarding and reporting all revenues received.

### **7.1.4 Definitions**

The following terms are defined for purposes of this chapter.

Revenue

The gross proceeds from taxes, fees and charges levied for goods and

**7.1.4 (Continued)**

services provided, regulatory fees, fines and penalties, returns on investments, transfers from other levels of government and refunds of previous years' expenditures.

**Claiming**

The process of establishing the Government's right to revenue for services rendered or goods supplied to the public and/or others.

**Revenue Officer/Official**

Any person engaged, appointed or employed for the purpose of collecting, managing or accounting for public money.

**Accounts Receivable**

Amounts owing to the Government which become receivable when the debtor's obligation arises.

**7.1.5 Classification of Revenue**

Revenue is classified as either tax revenue, non-tax revenue, and expenditure recoveries.

Tax revenue includes all monies collected through taxation. Non-tax revenue includes principally those monies arising from fees, charges levied for goods and services provided, regulatory fees, fines and penalties, interest earned and return on investments.

Monies which are credited to an appropriation or to a revolving fund, working capital advance or special account are classified as recoveries. The Public Accounts classify revenue by source which corresponds closely to that presented in the annual Main Estimates.

Classification of revenue is the responsibility of the Department of Finance. Departments requiring new revenue codes should contact the Director of Financial Operations.

**7.1.6 Assignment of Responsibilities**

The responsibilities of various participants in the revenue process may be set out specifically in legislation or may be delegated. The principal participants and their responsibilities are outlined as follows:

**Department of Finance**

- Formulates and communicates general financial policies pursuant to the Financial Administration Act relating to affairs of the government.

**7.1.6 (Continued)**

- Prepares appropriate regulations and issues relevant directives prescribing the procedures and conditions for the collection, recording, deposit and reporting of government revenue.
- Maintains overall responsibility for the collection, control and management of all government revenue and receivables.
- Provides guidance to departments and agencies in accounting for and control of revenue.
- Maintains classification control of revenue and recoveries.
- Pursuant to the Financial Administration Act, requires every public employee, public official, personal service contractor, revenue officer or agent of the government, involved in the collection of public funds, to keep adequate financial records, and make these available to the Deputy Head of Finance, or his/her representative as may be necessary from time to time.
- Maintains the principal financial records of the Government in respect of revenue and receivables.
- Prepares the Public Accounts which, amongst other things, must include all revenues and receivables.
- Maintains central cashier facilities and services for the government, including, receipts and deposit of funds and other banking operations.
- Collects and monitors accounts receivable, including assistance from departments, as may be required.
- Prepares cash flow projections and analysis.
- Controls the cash budget requirements.
- Carries out surplus cash investments and other money market operations.

**Deputy Ministers**

All departments and agencies must have adequate and effective documented systems for claiming, accounting and control of public monies and accounts receivable that come under their jurisdiction.

Normally, deputy ministers will carry out their responsibilities by delegation through their financial officials. Such financial officials may be responsible for any or all of the functions involving claiming, collection, accounting, control and reporting of departmental revenue and receivables.

**7.1.6 (Continued)**

Senior departmental financial officials should:

- Regularly review services provided to the public to determine if charges are appropriate, should be introduced, or should be adjusted due to increased costs, etc.
- Ensure that other departmental financial staff are aware of and follow appropriate policies and procedures for claiming, accounting and control of public revenue and receivables.

## **7.2 IDENTIFYING AND CLAIMING REVENUE**

### **7.2.1 Charging Fees for Services**

Services provided to the public under departmental programs fall into two categories; those that are provided because of collective political choice (public goods), and those that are provided on the basis that the use of services requires payment of a price (service to the public).

#### Public Goods

These are services which satisfy the needs of the public as a whole, and from which everyone stands to benefit. Since everyone benefits, it is considered equitable that the costs of the services be borne through general taxation. An example of public goods are services related to education or highways.

#### Services to the Public

These are services of public importance rendered by government to individuals or groups of individuals, either at their specific request or arising from the actions. Since the services are usually rendered at the option of identifiable individuals or groups of individuals, the cost of the service or at least some portion of it, should be borne by them. Examples of services to the public are the issuance of certificates, licences and permits.

#### Other Services

In addition to those services to the public which are rendered on request, there are other services which are principally of a regulatory nature for which the individual who receives the service receives a personal benefit, and so may be required to pay for it. Examples are inspection services and the granting of certain licences and permits.

### **7.2.2 Proposals for Introducing or Changing Fees and Charges**

Where services to the public are being provided, departments should annually submit proposals for introducing or changing fees and charges. Normally, these proposals should be forwarded to the Budget Bureau prior to budget submissions, and should include details as follows:

- The pricing policy proposed.
- Components of cost on which prices will be based.
- The computation of the first changes from any statutory rates it is intended to implement if the proposal is approved.
- The proposed time period for a cyclical review of costs and charges.

### **7.2.3 Proportion of Costs Recovered**

Normally charges for a service to the public should first be considered in the light of rates which will recover the full cost of the service. However, recovery of total costs cannot be justified in all circumstances. Where a service is of a regulatory nature, or is partially of a regulatory nature, a fee or charge fixed on a total cost basis may not be warranted.

Accordingly, departments should ensure that all factors are considered when establishing or proposing fee or charge structures. Some of the factors that should be considered are:

- Relationship between costs of regulatory services and fees charged.
- Comparison of fees charged by other jurisdictions, which provide similar services, under comparable conditions or circumstances.
- Estimated value to the public of the service.
- Fair market value.
- Ability to pay.
- Current rate of inflation and other monetary pressures.

### **7.2.4 Periodic Review and Adjustment**

Where services to the public are being provided, departments should regularly review fees and charges to determine whether charges should be introduced, or adjusted in light of changes in the cost of the service. Fees and charges should remain reasonably relative to present day costs.

Reviews of this nature are best done at Program Forecast time annually. This is the time that all program elements should be reviewed and the next year's budget is being formulated.

### **7.2.5 Budget Bureau Assistance**

Circumstances vary considerably between departments and situations. Whenever departments are in doubt on the pricing policy to adopt they are encouraged to and should seek assistance and advice from the Department of Finance, Budget Bureau.

### **7.2.6 Claiming Revenue**

It is accepted government policy and practice, that departments will, whenever economically and administratively feasible, charge for all goods and services provided to the public and to other governments, unless there are specific exemptions under applicable legislation,

### **7.2.6 (Continued)**

regulations or other authorized arrangements.

Revenue is collected under many different conditions and circumstances, and as a consequence, the action to be taken to establish the government's claim to revenue will vary considerably from program to program.

Normally, government employees who are required to collect funds directly from the general public do so before providing the service or before issuing the permit, certificate or other regulatory document unless approval to grant credit has been authorized.

In other cases, as in the issuance of a driver's licence, failure to pay the required fee along with the application results in the service being withheld.

Where payments can be collected only after services have been provided, certain controls are essential to ensure:

- that a billing is issued promptly;
- that each billing is complete and covers all the services or goods supplied; and
- that the billing is computed at the correct rates.

The controls to ensure that these objectives are achieved must be built into the operational system of the service concerned. Paperwork generated through operational systems should be integrated with the financial system to ensure that all revenue is billed.

For example, in the case of the sale of goods from central stores, the system must ensure that every issue from stock is made solely on the authority of a prenumbered requisition or invoice; that every requisition or invoice is accounted for through serial number control by an appropriate billing section; and that a billing is raised at correct rates for every requisition from stock.

### **7.2.7 Methods of Claiming Revenue**

#### **Self-Assessment**

In certain instances, members of the public are required to complete forms periodically which are used as a basis for collecting revenue. Usually the completed form identifies the number of units produced/sold or consumed during a given period. The applicable rate of fees/tax is then used to compute the amount of revenue which should be remitted.

Typically, a self-assessing procedure is used to collect taxes or royalties. Subsequently, the correctness of such returns is verified by

### **7.2.7 (Continued)**

auditors employed by the responsible departments or through independent verification of the items reported.

#### Exchange for Services and Goods

Revenue often can be claimed when the service or goods is provided and normally should be collected at that time. For example, revenue should be claimed and collected at the time:

- a document is registered,
- a licence or permit is issued,
- an application for a service is received.

Similarly, whenever any goods are sold to the public the revenue should be claimed and collected at the time of the sale.

When cash is not collected, a claim for revenue should be made and proper billing procedures are required.

#### Intangible Services

Some departments receive revenue from intangible services, for example; agreements or regulations. Another example is a penalty charge for failure to register a document within a specified period.

The above services are usually covered by agreements, regulations or legislation which specify when such revenue should be claimed.

### **7.2.8 Adequate Controls**

#### Identification of Payors

There should usually be no difficulty identifying the individual or organization responsible for payment for services or goods rendered. Typically, it is the person at the counter or the person applying who pays any fees. When services or goods are delivered elsewhere, individuals or companies in receipt of such services or goods would normally be expected to pay.

Under certain circumstances a third party may be required to collect and remit revenue to the government. An example of this is:

- fees for fishing licences collected by issuing agencies and subsequently remitted to the Government of the Yukon.

In all cases a continuing record of sources of revenue and of potential payors must be kept.

#### Verifying Self-Assessments

When self-assessment is used to collect revenue, the department should ensure that information received is verified as to validity and correctness. Some of the methods used to verify self-assessment include:

**7.2.8 (Continued)**

- periodic audits on those individuals or companies being assessed,
- comparison and verification of opening and closing balances on reports from month to month,
- use of information supplied by other government agencies or regulatory bodies,
- checking clerical accuracy of reports,
- comparison of actual amount paid with amount calculated as due,
- investigation of substantial variations between periods,
- the check-off of returns received against a list of those required to file returns.

**Controls over Services and Goods**

If revenue is to be collected in exchange for services and sale of goods, proper controls should be maintained to ensure that all revenue is duly recorded/collected. It is difficult to formulate controls which apply in all instances, but the following should be considered.

In respect of permits and licences:

- prenumbered permits and licences,
- a record of permits and licences received from printer and sent to issuing offices,
- periodic returns from issuing offices accounting for continuity of numbers,
- reconciliation of permits and licences issued with revenue collected and remitted, and
- periodic inventory of permits and licences on hand.

In respect of other services:

- assignment of consecutive numbers of each service as performed - for example - document registration number,
- use of prenumbered work orders or other forms,
- on applicable work orders recording of costs incurred in performing a service.

In respect of the sale of goods:

- restricted access to goods,
- assignment of custodial responsibility,
- use of prenumbered requisitions,
- use of bin cards for each item held for sale on which all purchases and sale are recorded,

**7.2.8 (Continued)**

- periodic inventory counts and comparison with balances per bin cards,
- use of prenumbered sales invoices.

## **7.3 BILLING, CONTROLLING AND COLLECTING ACCOUNTS RECEIVABLE**

### **7.3.1 General**

If cash is collected when services or goods are provided or sold, accounts receivable do not arise. Funds determined by departments to be owing to the Government of the Yukon or by the Government of the Yukon on account of pre-payments are to be recorded in appropriate records and subjected to effective controls and collection activity.

An accounts receivable system should include:

- a billing for all services or goods supplied;
- an accounts receivable record showing the amounts due;
- an accounts receivable control account showing the total receivables; and,
- prompt and vigorous action to collect all claims.

Deposit accounts may be used rather than extension of credit, particularly when the charges for services or goods are relatively small and services are rendered on a continuing basis. Use of such accounts eliminates difficulties in collecting outstanding accounts or in controlling small amounts of cash. Procedures involve:

- obtaining a deposit from the individuals or companies involved;
- recording each deposit received in an account;
- recording charges and applying them against the deposit; and,
- providing a periodic statement to the customer showing credits and charges to each deposit account and the remaining balances.

### **7.3.2 Billing Procedures**

Billing should be by means of pre-printed and pre-numbered invoices maintained under effective numerical control. The following information should be included on the billings:

- name and address of the issuing department,
- name and address of debtor involved,
- date of the billing, and date on which goods or services were supplied,
- a clear indication of the amount owing,
- an explanation of the billing, including relevant information and dates,

### **7.3.2 (Continued)**

- a notation indicating terms of payment which normally should be payment due on receipt of billing,
- a notation specifying that payment should be drawn in favour of the Government of the Yukon,
- a notation specifying the revenue/recovery coding.
- Goods and Services Tax registration number.
- a statement showing how much GST is included in the invoice.

Since it is government policy to require payment of fees and charges at the commencement of the provision of a service to the maximum extent feasible, and billings are supplied only where collection before service is not practicable, deferred terms of payment should be rare.

Billings should be submitted promptly after the completion of services or delivery of goods. Where services are rendered on a continuing basis, or over a lengthy period of time, billings should be submitted on a continuing or progressive basis.

### **7.3.3 Accounting for Receivables**

It is the responsibility of every department to ensure that every claim for non-tax revenue is entered promptly in the accounts until collection from the debtor in full. Such accounts are an integral component of the department's accounts and should never be regarded as memorandum accounts.

Whether the record of an account receivable is in a ledger maintained manually, mechanically or electronically, or is in an open file of unsettled billings, it is essential that it be kept by the name of the debtor in such a manner that his total indebtedness can be quickly determined on an aged basis.

It is also essential that accounting control be maintained over the total accounts receivable. This can be achieved by the operation of an accounts receivable control account in the department's principal accounting system. The total amount of billings and cash receipts should be entered in the control account on a daily, weekly or other appropriate basis. Adjusting entries, such as authorized deletions of accounts, should also be entered in the control account, and each month the total of all the outstanding balances in the individual accounts should be reconciled with the balance in the control account. Supervisory officers should pay particular attention to this reconciliation operation as it is a key control function in the revenue process.

The individual accounts receivable records must be maintained by persons other than those responsible for the handling of cash and

### **7.3.3 (Continued)**

other payments, and from those responsible for the maintenance of the accounts receivable control accounts.

Normally, the detailed accounts receivable transactions are not recorded in the Territorial Accounts; however, at the end of each year, the Deputy Head of the Department of Finance reflects in the accounts the accounts receivable balances. Departmental accounts receivable should be reconciled with the general ledger accounts of the Department of Finance.

Although departments are required to maintain accounts receivable records in respect of their own program operations, the Department of Finance has overall responsibility for the accounts receivable for the Government as a whole.

It is essential, therefore, that copies of accounts receivable billings are forwarded to the Department of Finance for central recording, control and monitoring.

### **7.3.4 Collection of Receivables**

Departments must take prompt and vigorous action to collect every account receivable in respect of their program operations. Collection action will differ depending on the nature and the circumstances of the debts concerned.

#### **Normal Action**

In most instances, routine collection action should be taken on a progressive basis. Where warranted, monthly statements should be instituted, and where payment is slow they should be submitted on an aged basis to keep debtors fully advised as to both the extent and the condition of their indebtedness.

#### **Supplementary Action**

In addition to the use of statements, it is essential that supplementary collection action be taken by letter, telephone or personal contact.

This should be carried out by having progressively higher level officers in the department address their peers in the debtor organization. Where tangible services or goods are being supplied, senior operational personnel of the branch supplying the services or goods should be brought into the collection activity at a relatively early stage.

Where senior levels in the financial and operating branches become involved in direct contact with the debtor, their efforts should be directed towards establishing an understanding for continuing future

prompt settlement, rather than just concentrating on the settlement of accounts outstanding at that time.

#### Monthly Review

All accounts receivable should be reviewed on an aged basis monthly by an officer higher than the person responsible for the maintenance of the accounts receivable, and quarterly by senior management. This review should be the basis of a summary report to progressively higher levels in the organization on the aging of all receivables, together with individual reports on more difficult and significant debtors.

#### Department of Finance Action

All departments are responsible for assisting the Department of Finance in implementing effective collection procedures for accounts receivable that are difficult to collect. Procedures should minimize the incidence of uncollectible accounts and maximize the resulting cash flows to the Government of the Yukon.

#### Interest

Interest is to be charged on past-due accounts, in accordance with the regulations pertaining to interest on overdue accounts unless the terms of the contract/agreement specify rates other than that which is provided for in the regulations

#### Liaison

Close liaison is imperative between departments and the Department of Finance to avoid duplication of effort in accounting for and collection of accounts receivables.

### **7.3.5 Bankrupt Debtors**

Where a debt is owed by a person who, since the debt was incurred, has declared bankruptcy, the creditor department must file a proper claim with the trustee in bankruptcy and make every effort to recover the amount from the bankrupt estate in accordance with normal procedures.

If the bankruptcy proceedings have reached the stage where the trustee has been discharged, but no order of discharge has been granted to the bankrupt, the possibility of collection of the debt should be investigated through bankruptcy officials. If an order of discharge has been granted to both the trustee and the bankrupt, the department should follow normal write-off procedures for accounts receivable.

### **7.3.6 Missing Debtors**

All reasonable action must be taken to locate a missing debtor, taking into account the amount of the obligation, and the administration and collection expenses that may be incurred.

There are a number of tracing sources available to departments to assist them in locating debtors. Department should utilize those that are most effective and economical.

### **7.3.7 Cost Sharing with Other Governments/ Expenditure Recoveries**

These particular accounts receivable differ from other similar accounts in that, in many instances, the amounts originally determined and claimed by the Territory may eventually be adjusted. Such adjustments can be either favourable or unfavourable for the Territory. Lengthy delays in repayments to the Territory sometimes occur due to the extended period necessary to reach agreement on amounts to be paid, or for the necessary audit to be carried out

Cost-sharing recovery claim must be prepared by the department concerned, in accordance with the terms and conditions of the applicable agreement. The Department of Finance will record these claims as a receivable and take the necessary collection and follow-up action as may be required.

### **7.3.8 Deletion of Debts/Write-offs**

Provisions regarding the write-off of uncollectible accounts and the deletion of debts are outlined in the Financial Administration Act and the Management Board Directives.

Requests of write-off of uncollectible accounts or the deletion of debts should be referred to the Deputy Head of the Department of Finance.

## **7.4 CONTROL OF CASH RECEIPTS**

### General

Under the Financial Administration Act, all public money received must be deposited to the credit of the Yukon consolidated Revenue Fund in banks designated by the Commissioner (Cabinet). This Act also provides that every person who collects or receives public money:

- shall deposit such public money to the credit of the Yukon Consolidated Revenue Fund and,
- shall keep a record of receipts and deposits.

### Departmental Responsibility for Procedures

Departments are responsible for determining the precise procedures to be followed and auxiliary records to be maintained to ensure that all receipts of public money are adequately accounted for. If different procedures and records are required for different programs, locations, or organizational units, the department should proceed accordingly. However, at all times and places, the system used should provide adequate records, control and be fully documented.

### **7.4.1 Cash Handling/Receipt of Cash**

For purposes of this section “cash” means negotiable instruments and currency, including coin, paper money, cheques, money orders, bank drafts and other negotiable instruments.

Departments must ensure the existence of adequate internal controls over cash. To fulfill this requirement, departmental systems of control must conform to directives issued by the Department of Finance and incorporate to the extent possible the following guidelines:

- a) Cash receipts must be recorded immediately;
- b) A receipt must be issued when currency is received;
- c) Each day’s cash receipts must be deposited daily, except in situations where this practice is not economical;
- d) Each day’s cash receipts must be deposited intact. Disbursements may not be made directly from cash receipts;
- e) Personnel handling cash should not be responsible for the maintenance of accounting records;
- f) No one person should handle a transaction from beginning to end. If this is not possible at certain locations the collection of cash and disbursement of services or receipts must be closely

**7.4.1 (Continued)**

monitored at the central office.

- g) The function of receiving cash should be centralized as much as possible;
- h) Petty cash funds may not be mixed with cash receipts and must be operated in accordance with section of this manual.

Proper control over cash receipts requires an effective system of internal control to ensure that all receipts are properly recorded and deposited. Internal control also helps to ensure that information provided by the accounting records is accurate and properly reflects the operations of the department or branch. A system of internal control includes three main elements:

- segregation of duties,
- accounting controls,
- safekeeping devices.

The division of duties is important in discouraging fraudulent practices related to the receipt and deposit of public money.

If division of duties is impractical because of limited accounting staff, there should be greater management supervision.

It is essential that the accounting system used, captures the revenue as soon as it is collected. If currency is involved, the minimum precaution should be to record it initially by means of a mechanical cash register, pre-numbered receipt, or some other form of document which incorporates or can serve the purpose of providing a permanent record. If receipts are issued, official government receipts must be used.

All incoming mail should be opened, whenever possible, by at least two persons, in the presence of each other, who have no other cash recording function than that of recording, in a cash blotter, particulars of all mail cash received. The record provides a control of all mail cash received and its subsequent handling. The record, once prepared, should be separated from the actual cash and thereby provide an independent control over its subsequent handling. Incoming cheques, money orders and drafts should be promptly stamped "For Deposit Only to the Credit of the Yukon Consolidated Revenue Fund (Territorial Corporations, boards or agencies)".

Officers should always issue a receipt or other acknowledgment for any currency received, but when the paying instrument provides an adequate record for the payor, this need only be done on request.

### **7.4.2 Recording of Cash Receipts**

The person who collects or receives public money should record it in such form and manner as to ensure proper control over receipts. Cash receipts take many forms and the documents which record them are accordingly varied. The more common forms are:

- official government prenumbered duplicate receipts,
- cash register tapes or cash register imprints on documents,
- cash blotters,
- copies of permits or licences having space for the recording of receipts.

Forms, such as duplicate receipts, cash register imprints or licences and permits, should be adequately controlled to preclude improper use. This can be accomplished by maintaining inventory records of pre-numbered forms, reconciling receipt forms to deposits, and ensuring that all forms have been accounted for. Access to cash register totals should be restricted to those persons independent of the cashier.

### **7.4.3 Custody of Cash Receipts**

In some departments, the deposit of receipts on a daily basis is impractical because of the lack of proximity of banking facilities, or the amounts of funds received.

When receipts are received after banking hours and no night deposit service is available, departments should safeguard receipts overnight. The amount of receipts on hand will dictate the types of safekeeping facilities needed. Facilities can include:

- locked cash boxes stored in inconspicuous places for small amounts of cash receipts,
- small one-combination locked devices for larger amounts,
- large two-combination vaults protected by special alarm systems.

Custody or access to these devices should be limited to properly independent officers. Office vault combinations should be changed at least once a year and whenever staff changes or suspected cash shortages occur.

Although the general rule is to deposit all cash and cheques promptly this may not always be appropriate—for example, the issue of certain licences may be limited and applications may eventually exceed that limit. Cheques temporarily held should be deposited if not returned promptly to the payee.

#### **7.4.4 Deposit of Cash Receipts**

The method of depositing receipts will depend upon the location of the officer and the dollar volume of receipts.

Receipts may be deposited either:

- directly to the Department of Finance cashiers, or
- directly to a financial institution in an approved account.

The authority to open and close bank accounts in the name of the government flows from Section 12 of the Financial Administration Act. For practical purposes this authority has been delegated to the deputy head of finance through an Order in Council. In general, cashier facilities of the Department of Finance should be used by nearby departments with large volume of receipts.

When the deposit is to the Department of Finance, or to a daily transfer bank account, there are standard forms which are used to make the deposit. The forms are:

- Consolidated Revenue Account - Daily Cash Blotter to the Department of Finance,
- Trust Account - Daily Cash Blotter to the Department of Finance.

In all cases, two parts of each form should be sent to the Department of Finance with one remaining in the department.

Upon verification, the Department of Finance will return one copy of the form to the Department. This should be matched to the original kept on file in the department. Weekly follow-up of the file will ensure all deposits have been correctly processed. All deposit documents are to remain as part of the financial records of the department or branch.

Deposits should be completed under dual control.

- All cash amounts should be verified by actual count by two persons who should sign or initial the correctness of the cash figures on the deposit slip.
- The same two persons should place the deposit in the canvas bag and then it should be locked.
- Once locked, the bag is not to be re-opened unless in the presence of the two persons responsible for the deposit. If re-opened, the deposit must again be verified by the same two persons before the bag is locked again.

Deposits may be made using documents provided by the financial institution to which the deposit is being made. These documents should be properly completed and kept as part of the records of the department or branch.

#### **7.4.4 (Continued)**

Funds deposited in approved accounts in other financial institutions should be transferred periodically. In some instances a revenue transfer account may be established. To ensure that funds do not remain in banks over an extended period of time, transfers should be effected as soon as the balance in such account exceeds \$1,000, or otherwise at least monthly.

To ensure proper control over cash receipts, the deposit of funds should be made on time and intact. Deposits should include all receipts on hand at that point in time. The deposit of funds intact facilitates record keeping and reconciliation.

If it is administratively feasible, deposits should be made daily when \$100 or more is on hand, or on the day when \$100 is reached, and in any case, not less frequently than once each week when a lesser amount is involved.

If staff time, or the expense of complying with these policies is considered to be excessive, the Treasurer may extend the time within which public money is required to be deposited. Departments which receive such extensions should ensure that adequate safekeeping facilities are available.

Funds received which are to be held in trust—for example, funds of specific groups, or personal monies taken for safekeeping from persons admitted to hospitals or other institutions—should be deposited to the General Trust bank account of the Government of the Yukon. Appropriate coding may be obtained from the Department of finance for new trusts. Funds should be deposited with the cash blotters, with the Department of Finance cashiers.

If identifications of the nature of a cash receipt at the time of receipt is not possible, they should not be held pending identification. Departments should deposit the receipt promptly and should credit a suspense account as an interim measure. Items in the suspense account should be investigated and cleared on a current basis.

#### **7.4.5 Reconciliation Procedures**

The Department of Finance is responsible for reconciling Consolidated Revenue, General Trust, transfer and other regulated fund bank accounts.

If departments or branches maintain transfer accounts as a means of depositing funds, the Department of Finance should ensure that monthly reconciliations are prepared reviewed by management, and kept as part of the financial records. Reconciliations should be prepared by revenue officers who have no access to cash receipts and disbursements.

**7.4.5 (Continued)**

At the fiscal year end, reconciliations of all bank accounts must be completed by the 15th of the month following year end.

**7.4.6 Cash Overages/Shortages**

Overages should be deposited in the same manner as other cash pending disposition.

Cash shortages are not acceptable. However, should a cash shortage occur, it must be investigated immediately by the responsible supervisor and reported to the Deputy Minister concerned and to the Department of Finance, Director of Accounting Services.

If the shortage is in excess of \$100.00, a full written report must be submitted to the Deputy Head of the Department of Finance, who will determine what further action should be taken.

Problems of recurring cash shortages should be resolved wherever possible by re-allocation of duties among staff.

**7.4.7 Accepting Credit Cards and Debit Cards**

This subsection was approved by the Management Board on April 28, 2005 and can be revised only with the approval of the Management Board.

Departments, as defined in the *Financial Administration Act*, may accept, as a means of payment, credit cards and debit cards in accordance with the policy set out in this subsection.

(a) Exceptions to Accepting Credit Cards - Management Board Policy

Departments may accept credit cards as a method of payment to the Government with the following exceptions:

- payments to the Yukon Housing Corporation with respect to mortgage payments, rental payments, land purchases and payments on agreements for sale;
- the purchase of developed land through the Government of Yukon land disposition system;
- the payment of taxes or other monies collected by a third party on behalf of the Government, e.g. fuel taxes and tobacco taxes collected by distributors;
- the payment of loans receivable

(b) The purchase price and GST are considered one transaction and may not be split.

(c) There are no restrictions on the acceptance of Debit Cards as a means of payment to the Government of Yukon.

## **7.5 REPORTING OF REVENUE**

### General

The objective of the financial reporting process for revenue, like expenditure, is to summarize revenue transactions to reflect the revenue activities of government.

Reports are based on:

- modified cash basis of accounting for taxes and accrual basis of accounting for other revenues and recoveries,
- centralized collection and subsequent reporting.

### **7.5.1 Content of Reports**

Reports should contain sufficient information for central agency and departmental decision-making purposes and for presentation in the Territorial Accounts. To ensure that revenues are reported on a uniform basis within government, there is a standard coding system, described in the chapter “Classification and Coding of Financial Information”.

### **7.5.2 Use of Reports**

#### Departmental

The deputy minister of each department should be aware of all sources of revenue within his responsibility and receive financial information showing how actual revenue compares with that forecast. These reports should be sufficiently descriptive and timely for use in decision making.

#### Department of Finance

The Department of Finance requires revenue reports for the preparation of annual Public Accounts. The Department of Finance also uses revenue data for each forecasting, cash management and fiscal planning. Part of the annual estimates by the Department of Finance are based on revenue forecast information received from the various collection areas within government.

### **7.5.3 Reconciliation of Revenue**

The Department of Finance uses the cash blotters to record all revenues received. These reports should be reconciled to the records retained by the department and these reconciliations should be kept. Reconciliations should be prepared by revenue officers having no access to cash receipts or accounting records.

#### **7.5.4 Cost-Sharing Programs**

Some departments are involved in cost-sharing programs with other levels of government, principally the Federal Government.

The policy of the Government of the Yukon is that gross costs should be used in resource allocation between programs regardless of the proportion of the cost that can be recovered from federal or other sources.

Accordingly, gross costs are reflected in departmental reports and costs recovered from the Federal Government and other sources are shown in the Consolidated Revenue Fund as revenue.