

Revenue Collections:

Internal Controls & Best Practices

Controller's Office

Training Goals

1. Understand key points covered in the University Policies & Procedures and Campus Guidelines.
2. Describe what internal controls are.
 - Why they are important.
 - What types of internal controls should be in place.
3. Review revenue collection Best Practices and resources available.

Collection Areas

What Departments Are Responsible?

- ▶ All departments that collect cash, checks, or credit card payments for any purpose. Types of collection activities include:
 - Miscellaneous Sales
 - Program Fees
 - Sponsorships
 - Grants & Contracts
 - Reimbursements from Vendors\Other activities

Collection Areas

Who Should Understand Processes/Internal Controls ?

- ▶ Managers : Manage the entire business operation.
- ▶ Supervisors: Oversee daily activity and reporting.
- ▶ Collection staff: Process receipts, deposits, and interact with customers.

Internal Controls

What Are Internal Controls

- ▶ Internal controls are defined as: A process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - Effective and Efficient Operations
 - Reliability of Financial Reporting
Annual Financial Reports online:
[University of Massachusetts Annual Reports](#)
 - Compliance with Laws and Regulations

Internal Controls

Primary Objectives of Internal Controls

- ▶ Report accurate financial information
 - Reliable controls provide confidence to the validity of financial information produced from operations.
- ▶ Comply with policies and procedures
 - Laws & Regulations, BOT Policies, Campus Guidelines
- ▶ Safeguard assets
 - Protect assets from misappropriations and fraud
- ▶ Provide efficient use of resources
 - Controls provide guidelines and direct processes that help operations best manage resources.

Internal Controls

Why Internal Controls Are Important

- ▶ Provides management with confidence the department is operating according to standards which are monitored.
- ▶ Indicates to staff what they are doing is important and that quality matters.
- ▶ Provides a standard of expectations for conducting business activities.
- ▶ Educates campus of responsibilities and promotes good stewardship of resources.

Internal Controls

Types of Controls

► Preventative Controls:

- Prevent errors and thereby avoid the cost of correction
- Discourage fraud
- Example: Using a safe, reviews/approvals

► Detective Controls:

- Measure the effectiveness of preventive controls
- Uncover errors and misappropriations
- Provide the means to establish accountability
- Example: Performing reconciliations

Internal Controls

Are Internal Controls Foolproof?

- ▶ Controls will not always prevent fraud or misappropriation.
- ▶ Making controls infallible is cost prohibitive and unnecessarily cumbersome.
- ▶ Controls do not eliminate the "human factor". To a significant extent, systems of internal control rely on people and their actions.
- ▶ If people fail to follow controls in place, the controls will fail.

Revenue Questionnaire

- ▶ Purpose: to assist departments review their revenue collections processes to ensure effective internal controls are in place.
- ▶ Information Covered:
 - SOD, Receipt Control Documents
 - Ticket Sales, Cash/Checks, PCI/PII
 - Transfers out/Deposits, Recording/Reconciling
 - POS System/Cash Register, Receivables/Adj's
 - Overages/Shortages, Change Funds, Petty Cash
 - Collection Area, Safeguarding collections
 - Collection staff, Access Controls

Documenting the Receipt

Control Documents/POS Reports

- ▶ Control documents are used to reconcile what was received during a business period – shift/day.
 - Requires accuracy and attention to detail.
 - Should have places to document employee and revenue information.
 - Can be numerically controlled for each transaction.
- ▶ POS – system records receipt transactions automatically and generates reports for review/reconciliation.

Receiving Revenues

Identifying Receipts Received

- ▶ Departments must have a control document or POS system for receiving revenues.
- ▶ Procedures must be in place to reconcile daily/shift receipts received.
- ▶ Control document/POS system requires signatures or system identifiers for staff performing revenue collections.
- ▶ Manager/supervisor signoffs of control documents/ POS reports are recommended as part of approval process.

Cash Receipts

- ▶ Mail must not be used to collect or send cash. If cash is ever received by mail, please contact the payer/department and notify of policy.
- ▶ Always give customers receipts for cash transactions. A pre-numbered, two-ply receipt book is a good option for sites without a POS system.
- ▶ All information on receipt books must be legible. Payer and receiver must both sign and date receipt document. (Do not leave room for interpretation).

Cash Receipts

- ▶ Cash must never be left unattended, even in secure areas.
- ▶ Disbursements from collections are prohibited
- ▶ If you are not a pick-up location, consider combining with another nearby site if you have cash. Contact Cash Management Services for assistance.

Check Receipts

- ▶ Checks are to be made out to the “University of Massachusetts”. Other forms of the name are acceptable for deposit.
- ▶ All checks are to be endorsed “For deposit Only – University of Massachusetts” upon receipt.
- ▶ Checks processed remotely must be destroyed after 14 days.
- ▶ Cash Management Services will notify departments of any returned checks to follow up with payer.

Foreign Checks

- ▶ Foreign checks require special instructions that must be completed by Cash Management Services.
- ▶ Procedures:
 - Send all foreign checks to Cash Management Services for deposit.
 - Prepare separate deposit transmittals for foreign checks.
 - Departments will be notified of foreign exchange adjustments when posted.

Credit Cards

- ▶ Credit card information written down must be destroyed immediately after use.
- ▶ Credit card information cannot be mailed to Cash Management Services, only hand delivered or faxed after confirming with recipient.
- ▶ Full credit card numbers can never be displayed on records or documentation. Last 4 digits only.
 - If necessary, mask all numbers but last four and notify Controller's Office of credit card terminal issue.
- ▶ All receipts must be retained for 3 years.

Reconciling Receipts

- ▶ Complete reconciliation of receipts on a daily basis or upon shift change.
- ▶ Compile and review revenues against POS system sales reports or receipt control documents.
- ▶ Management/supervisor is to review reconciled receipts and documentation. Safeguard receipts once approved.
- ▶ Once deposited, receipts are to be reviewed in PeopleSoft to confirm all revenue was posted correctly. We recommend reconciling on a weekly basis.

Change Funds

- ▶ Change funds are used as starting cash for providing change to customers.
- ▶ Change funds must always be obtained from the Controller's office and not from operation revenue.
- ▶ Disbursements from change funds is prohibited
- ▶ Change funds must be reconciled at the beginning and end of every shift.
- ▶ Contact the Controller's Office if you have undocumented change funds, need new funds, or have changes to existing documented funds.

Safeguarding Receipts

Safes/Boxes/Drawers

- ▶ Receipts such as cash and checks must always be safeguarded during and after business hours.
- ▶ During business hours, the safeguarding area must be limited to authorized business staff.
- ▶ After business hours, all receipts and receipt books are to be locked in a safe. If in a locked drawer, the office must also be locked.
- ▶ Limit drawers to checks. If cash is being received, a safe or cash box is to be used.

Safeguarding Receipts

Safes/Boxes/Drawers

- ▶ Control and document access over all safes & drawers. It's recommended managers keep a record of:
 - Personnel that have access
 - Date of last lock/combination change
 - Number of keys available
- ▶ Change combinations/locks periodically and always after staff turnover or termination.

Preparing the Deposit

Bank Deposit Instructions

- ▶ Sort bills by denomination.
- ▶ Bills must not be loose or folded.
- ▶ Do not secure cash with staples, tape, or excessive clips and straps.
- ▶ Position checks face up, attach tape and totals.
- ▶ Complete deposit ticket with all required information.
- ▶ Coin should be less than \$25, separate "coin only" deposits for greater than \$25.
- ▶ Only 1 deposit per bag.
- ▶ Use approved clear deposit bag only.

Preparing the Deposit

- ▶ Process collections on a daily basis with a TM to Cash Management Services at least weekly.
- ▶ Call for pick-up immediately if your site has 25K or more to deposit.
- ▶ Preparers and a reviewer are to sign and date deposit documentation completed.
- ▶ Deposits transferred to another site for pick-up or processing must be documented with signature and date by both parties.

Transmittal Form

Preparing the Deposit

Journal Source: _____

(Treasury Use Only)

FROM: T. Hamelin
DEPT. NAME: CRF
DATE: 6/2/2015

PSOFT SPEED TYPE	PSOFT ACCT	FUND	DEPARTMENT	CLASS CODE	PROG CODE	PSOFT PROJ/GRANT	AMOUNT	DESCRIPTION
114110	696900	51511	L600617000		B00		\$380.00	Worthen Industries payment
TOTAL TM:							\$380.00	

DEPOSIT BREAKDOWN:

CASH \$ _____
COIN \$ _____
CHECKS \$ \$380.00
WIRES \$ _____
CREDIT CARD _____
TOTAL \$ \$380.00

Form can be found online:

[Transmittal Form](#)

Common Deposit Issues

- ▶ Make sure to submit transmittals when deposits are picked up. Often times departments have a backlog of transmittals to submit.
- ▶ If transmittals are sent electronically, make sure to send them on time.
- ▶ Process deposits/transmittals in a timely manner during month end.
- ▶ Complete transmittals for wires which often lag or are forgotten by departments.
- ▶ Notify Cash Management Services of any expected wires, this will help us quickly identify who it belongs to.

Receipt Variances

- ▶ Business managers are to maintain a record of overages/shortages. Identify separately on the transmittal form.
- ▶ Overages cannot be held to apply against future shortages.
- ▶ Business managers are to investigate variances and, if necessary, take corrective action.
- ▶ Report any losses identified monthly. Any loss > \$50 must be reported immediately to the Controller's Office.
- ▶ If fraud is suspected for any reason, contact the Controller's Office immediately.

Reconciling Deposits

Select: Transaction Detail Analysis Dashboard

The screenshot displays the Oracle Business Intelligence (BI) web interface. The top navigation bar includes the Oracle logo, 'Business Intelligence', and a 'Sign Out' link. The main content area is divided into several sections: 'Browse/Manage...', 'Get Started...', 'Recent Dashboards', 'More Dashboards', 'Others', and 'Most Popular'. A 'Dashboards' dropdown menu is open, showing a list of available dashboards. The 'FDM: Transaction Detail Analysis' dashboard is highlighted with a red circle. The user is signed in as 'Danny Antigua 10177846'.

Oracle Business Intelligence

Home | Dashboards | Signed In As Danny Antigua 10177846

Most Recent(FDM: Fiscal Reporting - Revenue and Expense Activity)

- FDM Reports
 - FDM: Academic Admin
 - FDM: Balance Sheet
 - FDM: Department Admin
 - FDM: Facilities Management
 - FDM: Fiscal Reporting
 - FDM: PI
 - FDM: Transaction Detail Analysis**
- Global Reports
 - Chartfield Lookup
 - CSR Lookup
 - Information
 - User Info
- HCM Reports
 - HCM: Department Admin

Reconciling Deposits

Enter: Period, Department, and Fund

ORACLE Business Intelligence

FDM: Transaction Detail Analysis Home Dashboards ▾

Revenue and Expenditure **Revenue** Incumbrance Budget

From Period: 2015-12 (Jun, 2015) To Period: 2015-12 (Jun, 2015) Dept Tree Level: --Select Value-- Dept Level Nodes: --Select Value--

DeptID: L600617000 - The Project: --Select Value-- Fund: 51511 - Core Res Program: --Select Value-- Class: --Select Value-- Account: --Select Value-- Account Group: --Select Value-- Journal ID: --Select Value-- Journal Source: --Select Value-- Apply Reset ▾

Click "Apply" to Generate Report

Reconciling Deposits

Review & Reconcile Revenue Activity

Transaction Type	Account	Account Description	DeptID	Fund Code	Project/Grant	Program Code	Class	Journal ID	Journal Date	Line Description	Journal Reference	External GL Descr	UM Trans ID	UM Trans Second Ref	UM Account Number	UM Trans Date	Source	Amount
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Brooks Automation- Inv#2601							ONL	902.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Parker Hann Chom - Inv# 2636							ONL	1,558.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Parker Hann Chom - Inv# 2735							ONL	574.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Parker Hann Chom - Inv# 2925							ONL	164.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Parker Hann Chom- Inv# 2532							ONL	164.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		AEK363	6/19/2015	Parker Hann Chom- Inv# 2602							ONL	1,394.00
General Ledger Journal	696900	Fee For Service	L600617000	51511	N/A	B00		JTW24288	6/3/2015	Worthen Industries							LB3	380.00
Grand Total																		5,136.00

7 Total Records

Segregation of Duties

Definition/Purpose

- ▶ Definition: Segregation of duties is the means by which no one person has sole control over the lifespan of a transaction. Ideally, no one person should be able to initiate, record, authorize, and reconcile a transaction.
- ▶ Purpose: The separation of duties assures that mistakes, intentional or unintentional, cannot be made without being discovered by another person.

Segregation of Duties

Application of Segregation of Duties

- ▶ Separate the duties of receiving, depositing, recording, and reconciling. These tasks should be completed by different people.
- ▶ If segregation of duties not possible, mitigating controls must be put in place to monitor conflicting activities.*
- ▶ Best way to administer mitigating controls: have staff and manager/supervisor sign off after review of conflicting tasks performed.

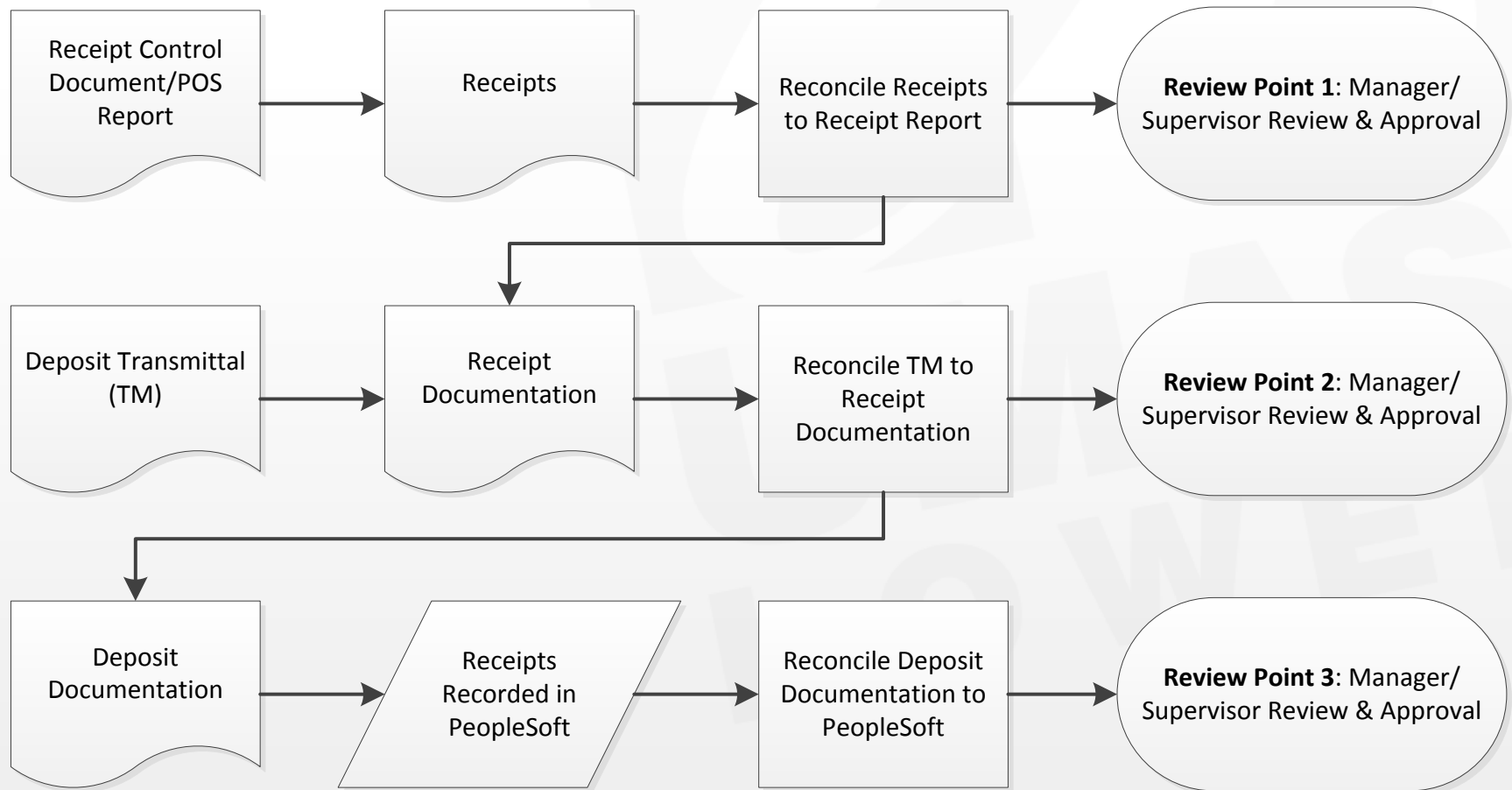
Segregation of Duties

Mitigating Controls

- ▶ Managers/supervisors are to evaluate documentation provided by staff and both parties must sign and date as evidence of review.
- ▶ Processes to consider placing manager /supervisor reviews and approvals:
 - 1) Receipt control documents/POS reports reconciliation to receipts received
 - 2) Deposit transmittals to receipt documentation
 - 3) Deposit documentation to amounts recorded in PeopleSoft – (Attention: Last point of review)

Segregation of Duties

Mitigating Controls – Review/Approval Process



Collections “Red Flags”

Identifying Collection Warning Signs

- ▶ Collection and deposit trends up or down from expected volume.
- ▶ Collection variances occurring regularly with certain employees or shifts.
- ▶ Staff rarely takes time off/takes initiative to work unusual hours.
- ▶ Staff displaying protective or defensive behavior regarding collection activities.
- ▶ Safeguarding areas, safes, boxes, or drawers are left unlocked.
- ▶ Lack of documentation for unusual transactions /records disorganized.

Collections “Red Flags”

Identifying Collection Warning Signs

- ▶ Manually altered POS System reports.
- ▶ Control documents/POS system reports that do not tie to deposits.
- ▶ Deposit documentation that does not tie to PeopleSoft reports.
- ▶ Variances occurring with change funds.
- ▶ Unidentified receipts found in registers, safes, or other areas of the business.

Accounts Receivable/Billing

- ▶ Uncollected sales/receivables are to be reviewed periodically and reconciled.
- ▶ Receivables report is to be compiled or generated from POS system.
- ▶ If POS system is not used, an aging report is to be compiled using department collection data.
- ▶ Balances should always tie to A/R aging report and reported to Controller's Office at year-end.
- ▶ Put in place write-off procedures for old A/R.
- ▶ Personnel with collection responsibilities should not perform billing adj's or void receipts.

Personally Identifiable Information

- ▶ University is responsible for protecting personal information acquired for any purpose.
- ▶ Information must always be kept safe, locked, and away from public areas.
- ▶ Delete/destroy personal and protected information when there is no longer a business need for retention.
- ▶ Types of PII:
 - Name, address, SS#, DOB
 - Drivers license or Passport Information
 - Bank/Credit card information
 - Photographs or other personal characteristics

Collection Staff/Access Controls

- ▶ Access to management systems is to be monitored.
 - Promptly remove system access after any staff turnover or termination occurs.
- ▶ Monitor staff:
 - Time taken/not taken – vacation, personal, other.
 - Odd working hours/shifts.
- ▶ If possible, consider rotating the cash receipt function periodically.

University Policies & Campus Guidelines

- ▶ Collection Security Guidelines
- ▶ E-Commerce and PCI
- ▶ Acceptance of Debit & Credit Cards
- ▶ Data & Computing Policies, Standards, & Procedures – Non-IT University Depts.
- ▶ All these policies can be found online:
 - [University Policies & Campus Guidelines](#)

Summary

- ▶ Read through University & Campus policies and as necessary, ask questions for clarification.
- ▶ Review & document collection processes in place for cash, checks, and credit cards.
- ▶ Update the Revenue Questionnaire annually and submit to Controller's Office.
- ▶ Segregate collection duties and establish mitigating controls when not possible.
- ▶ Monitor internal controls in place over receipts.
- ▶ Ensure receipts are safeguarded at all times.
- ▶ Reconcile collections to POS/control documents.

Summary

- ▶ Process deposits daily.
- ▶ Complete transmittals properly and submit as soon as picked up – should be weekly.
- ▶ Reconcile deposit activity in PeopleSoft.
- ▶ Look for collection “Red Flags” or other unusual activity.
- ▶ Report losses > \$50 to Controller’s Office monthly, report fraudulent activity immediately.
- ▶ Any receivables / uncollected sales are to be reviewed periodically and reconciled.

Summary

- ▶ Personnel with collection responsibilities should not perform billing adjustments or void receipts.
- ▶ Keep Personally Identifiable Information safe; destroy after there is no longer a business need for retention.
- ▶ Monitor access controls & staffing trends.

General Discussion

- ▶ Any Questions?
- ▶ Help is always available via the Controller's Office email: ControllerFeedback@uml.edu
- ▶ Can also call with questions:
 - John Perroni: X43576
 - Danny Antigua: X43502
 - Eileen Trott: X43459
 - Amy Kirchner: X43575
 - Donna Barron: X43594