

# **Revenue Policy**

## 1. Background

- a) To ensure strong fiscal management practices, the proper controls over revenues is imperative in determining budget, forecasting, reconciliations, accounts receivable management and general oversight over the various revenues the County collects.

## 2. Internal Controls

- a) All aspects of revenue recordation and cash receipt shall be subject to proper internal controls with standard controls documented and followed by revenue generating department because of their importance.

## 3. Accounts Receivable Collection

### a) Bad Debt Expense

- i) The determination of the need for an allowance for doubtful accounts will be based upon accepted business and auditing standards.

### ii) Write-offs

#### a) Non-tax balances

- (1) For balances <\$25 that are >180 days delinquent, all such amounts will be eligible for write-off upon Department Head's concurrence.
- (2) For balances >\$25, collection efforts will be performed for a period equivalent to the statute of limitations or sooner if bankruptcy has been discharged for account, business no longer exists or individual is deceased, at which point such amounts will be written-off upon Department Head's concurrence.
- (3) For any account written-off, such customer information will be retained for as long as practically feasible in automated system capacity in order to have continued enforcement of service denied on credit until previously written-off balances have been paid.

- b) For general property tax balances, such write-offs to taxpayer's account will be performed, subject to Treasurer's discretion in pursuit of all or part of such balances, for account balances up to State established threshold or \$25, whichever is less, discharged by bankruptcy and/or other parameters as defined in Code of Virginia Sections 58.1-3912 and 58.1-3921.

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## **1. Background**

- a) As part of performing local government services, determinations are made for collecting funds for services performed, the billing and accounts receivable process for those services provided on credit and the management of ensuring that proper controls exist.
- b) Sound financial management principles include the establishment of an allowance for doubtful accounts, the efforts pursued for delinquent accounts and the timeliness of when such accounts that are deemed uncollectible are written-off from the financial statements.
- c) This policy is primarily focused upon all controls and policy statements for functions not performed directly by the Commissioner of the Revenue or the Treasurer, unless otherwise specified, as the County's taxes are billed and collected under the separately elected Commissioner of the Revenue and Treasurer, respectively, whose responsibilities are delineated by the Code of Virginia.
- d) For the billing and collection of general property taxes that are specified under the Code of Virginia, it is recognized that the Treasurer is an elected official whose responsibilities are delineated by the Code of Virginia and that this policy as it pertains to general property taxes and custodian nature of the treasury function is meant to illustrate strong fiscal management of a County and not to circumvent the powers of the constitutional office.

## **2. Internal Controls**

- a) All aspects of revenue recordation and cash receipt shall be subject to proper internal controls with standard controls documented and followed by revenue generating department because of their importance:
  - i) Segregation of duties – authorization, recordation and custodian functions.
  - ii) Daily processing - Daily cash/collection total reconciled to subsequent deposit.
  - iii) Timely depositing of funds received
    - a) Remote Sites (those sites remote from the primary treasury function)
      - (1) Dollar Threshold: At any such point a department accumulates in the aggregate over \$500 in cash and/or \$10,000 in checks, such funds need to be deposited by the beginning of the next business day.
      - (2) Time Threshold: All collections should be deposited within one week of receipt.
    - b) Those sites in close proximity to the primary treasury function should have a time threshold of within two days of receipt.
  - iv) Reconciliation to the general ledger and other supporting accounting ledgers shall be performed in a timely manner for receivable balances, subsidiary ledgers and revenue collection.
  - v) Physical security procedures during work hours and non-working hours for all funds received and change drawers maintained.
  - vi) Automated system resources should be utilized where practical to provide better support towards processing and reconciliation as well as providing a more efficient and effective manner to manage receipts.

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- b) Overpayments
  - i) No overpayments will be accepted for which the intention is to provide a cash refund back to the customer
  - ii) For other instances of overpayments, the standard practice would be to apply such overpayment as a credit to next bill, with any exception to this standard practice noted in departmental procedures.
- c) Use of lockbox processing will be considered when the benefits of such processing exceed the costs for such services.
- d) Upon any suspicion of fraud, the departmental supervisor would timely notify the Internal Audit Manager and the Sheriff's Office for further investigation.
- e) If there is any suspicion regarding non-compliance of internal control directives, the departmental supervisor will notify the Internal Audit Manager for further review.

### **3. Depositing of Received Funds for Services**

- a) The Treasurer's Office serves as the County's primary recipient of all monetary payments to the County via cash, check, wire transfer and credit card, unless there is an agreement between County and Treasurer for a revenue process for which the Treasurer does not serve as the primary recipient.
- b) Remote cash and check collection points will only be established upon approval of the County Administrator whereby the benefits of customer service are evident and documented internal controls are established with such collection points and terms of remittance noted by the Treasurer and Internal Audit Manager.
- c) Non-remote collection site departments are encouraged to direct all receipts directly to the Treasurer's Office and utilize information provided by County's cash receipt and general ledger system in determining the propriety and reasonableness of such revenue transactions relative to departmental function.
- d) An on-going accounts receivable system, with documented internal controls, will be maintained for those functions as approved by the County Administrator in which services are provided by the department prior to the receipt of funds for such services (all other functions shall require payment prior to or in conjunction with the service being performed).

### **4. Depositing of Received Funds from Grants, Developers, Partners and Other Entities**

- a) The County is involved in many transactions (e.g., grants, developer contributions, proffers, etc.) whereby agreements, resolutions and/or ordinances require remittance to the County of an established amount.
- b) As many governmental projects and services have a portion of their cost recovered from non-local government sources, the proper accounting for such recoveries is necessary to ensure that local funding is not adversely impacted.
- c) Each department shall establish its own accounting practices to ensure that proper accounting procedures are to be followed relative to the types of non-local government revenue such department initiates.
- d) Receivable balances will be formally established in the County's financial system at fiscal year-end, but such on-going balances and their subsequent receipts will be monitored by the initiating department throughout the fiscal year.

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## **5. Returned Checks**

- a) Unless otherwise stated per County ordinance or resolution, all checks returned due to insufficient funds being in the customer's account will be processed by the Treasurer's Office in conjunction with departmental assistance, as appropriate, and fees shall be charged for the returned check in conjunction with the Treasurer's Office established practices.

## **6. Billing Practices (Non-Treasurer initiated)**

- a) Unless otherwise stated per County ordinance or resolution, all initiated bills will have terms of 30 days from bill date.
- b) Unless otherwise stated per County ordinance or resolution, all bills will be generated within 45 days of initial service provision.

## **7. Accounts Receivable Collection**

- a) All accounts receivable will be recorded by the County to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.).
- b) For those accounts that become past due, the initiating department should have specified practices that ensure proper delinquent notice is provided to customer and continued service is restricted, unless continuation of service is required by law (e.g., crisis services provided by Community Services Board), until such accounts are current.
  - i) For those accounts that are >180 days and over \$25, appropriate notice and detail will be provided to the Treasurer's Office to best utilize their efforts in collection of such delinquencies and/or department will have suitable alternative collection methods to best attain collection.
  - ii) To facilitate such collection efforts, departments shall establish information criteria as part of the initial credit application process with the customer (e.g., bank account #, social security # or driver's license #, Federal ID #, etc.).
- c) Bad Debt Expense
  - i) The determination of the need for an allowance for doubtful accounts will be based upon the percentage of receivable method.
  - ii) The computation of an allowance for doubtful accounts will be performed annually based upon the aging of such receivables and recent history of write-offs at June 30<sup>th</sup>, subject to review by Finance Department and concurrence by the external auditors, with any material changes reported to the County Administrator.
  - iii) Write-offs
    - a) Non-tax balances
      - (1) For balances <\$25 that are >180 days delinquent, all such amounts will be eligible for write-off upon Department Head's concurrence.
      - (2) For balances >\$25, collection efforts will be performed for a period equivalent to the statute of limitations or sooner if bankruptcy has been discharged for account, business no longer exists or individual is deceased, at which point such amounts will be written-off upon Department Head's concurrence.
      - (3) For any account written-off, such customer information will be retained for as long as practically feasible in automated system

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capacity in order to have continued enforcement of service denied on credit until previously written-off balances have been paid.

- b) For general property tax balances, such write-offs to taxpayer's account will be performed, subject to Treasurer's discretion in pursuit of all or part of such balances, for account balances up to State established threshold or \$25, whichever is less, discharged by bankruptcy and/or other parameters as defined in Code of Virginia Sections 58.1-3912 and 58.1-3921.

## **8. Escrowed Funds**

- a) For those funds received by the County in advance of revenue recognition criteria or for which such funds are anticipated to be remitted back to payee in relief of meeting performance guarantee, such funds will be deposited into an escrow account.
- b) Escrowed funds will only accrue interest back to individual account if explicitly stated in escrow agreement, otherwise such escrow funds accrue interest to General Fund or Utility Fund, as applicable.
- c) Upon the County meeting the criteria for revenue recognition, such escrowed funds will be timely transferred and recognized as revenue in applicable fund.
- d) For those performance guarantee escrows, such funds will be returned back to the payee upon compliance or retained in meeting established County procedures for use of such funds.

## **9. Budgeting**

- a) Revenue initiating departments will have oversight in the formulation of budgeting applicable revenues.
- b) Such revenue estimates will be supported by variables (base, rate, etc.) that comprise such revenue.
- c) Monitoring of revenue budget will be performed in a timely manner throughout the fiscal year and shall include an analysis of actual vs. budgeted variances.
- d) Continued compliance of revenue with all laws and/or regulations shall be the responsibility of the revenue initiating department.

## **10. Established Treasurer Policies**

- a) The Treasurer's Office has formulated policies with regards to controls in cash receipts processing, bank reconciliations and other collection and custodial practices.
- b) Such established Treasurer policies are meant to illustrate the strong fiscal management of the County with such Treasurer's Office policies updated by the Treasurer's Office as deemed necessary.