



Coachella Valley Water District  
Revenue Control Policy

*September 26, 2017*

## Table of Contents

Revenue Control Policy .....	3
Purpose.....	3
Internal Controls .....	3
Accounting Practices .....	4
Billing and Collections Practices .....	4
Methods of Payment .....	4
Wire Transfer Receipts .....	4
Depositing of Received Funds .....	4
Special Nature of Other Funds.....	5
Returned Checks, ACH's, E-checks, Chargebacks, Etc. ....	5
Accounts Receivable Management and Bad Debts .....	5
Budgetary Review.....	5
Compliance .....	5
Definitions.....	6
Contact .....	6

## **REVENUE CONTROL POLICY**

### **Purpose**

The Coachella Valley Water District's ("CVWD") top operating revenues are utility billings for the various services it provides, including: Domestic Water, Sanitation Services, Groundwater Replenishment and Canal & Availability Charges. CVWD collects other non-operating revenues. These include property taxes, grants, developer fees, investment income, contributed assets, etc.

Strong internal controls in the areas of revenue control and cash receipts are imperative to ensure proper controls over revenues and sound financial management practices. Proper controls prevent the mishandling of cash receipts, aid in the collection of accounts receivable, and protect staff from allegations of inappropriate handling of revenue by defining responsibilities in the revenue process.

This Revenue Control Policy applies to all revenue collected, except where state or federal laws supersede. All CVWD departments receiving revenue will comply with this policy. This policy shall be reviewed on an annual basis.

### **Internal Controls**

All aspects of cash receipting and accounts receivable should be subject to the proper controls including:

1. Segregation of duties such as initiation and authorization of transactions, execution of transactions (receipting and disbursement), recording transactions, reconciliation, and maintaining custody. Customer Billing routinely segregates & rotates duties. Finance segregates who initiates, executes, records, reconciles and approves transactions.
2. Daily processing and timely deposit of receipts. Ideally, all funds should be deposited within 24 hours of receipt. Cash receipts, with rare exceptions, are deposited within 24 hours of receipt.
3. Timely reconciliation to application ledgers. Finance and Customer Billing regularly work together to reconcile customer ledgers.
4. Physical security procedures, such as locked safes and locked cash drawers. This is especially important for funds not deposited day of receipt. Unannounced cash counts happen periodically to verify that the safes and cash drawers are locked and in balance. These occur at both the Coachella and Palm Desert locations.
5. Fraud reporting procedures. The auditors recommend establishing an anonymous fraud hotline. Nearly 40% of fraud is detected through anonymous tips.
6. Use of integrated receipt and accounting systems wherever practical and cost-effective. Customer Billing reconciles all revenues received with cash receipts each day. The Finance Cash Accountant reconciles cash received at the bank daily with the daily cash summary received from Customer Billing. The Cash Accountant reconciles the bank

statement and the Controller approves the bank reconciliation at the end of each month. The Finance Director reviews the bank balances frequently to ensure reasonableness of activity and adequacy of cash flow to meet forecasted needs.

### **Accounting Practices**

All receipts and receivables should be recorded in accordance with generally accepted accounting principles (GAAP).

### **Billing and Collections Practices**

Accounts receivable should be established for services provided in advance of payment and terms for collection should be established. In accordance with established procedures, bills should be initiated, recorded in an accounts receivable system, and generated within an established timely manner after initial service delivery. Effort should be made to ensure that receivables are collected in a timely fashion. An Accounts Receivable Collection and Debt Write-Off policy was established to provide for write-offs of accounts receivable, including timeframe, dollar thresholds, and decision-making authority.

### **Methods of Payment**

CVWD's website has a very thorough listing of available payment options at the following link: <http://www.cvwd.org/190/Payment-Options>. These methods of payment promote electronic methods of access and payment, when feasible. This is cost-effective, reduces overall risk and increases cash flow. CVWD's web page also discusses CVWD's "Help2Others" Customer Assistance Program whereby eligible customers can receive a \$50 credit on their water bill.

### **Wire Transfer Receipts**

CVWD receives a limited number of incoming wire transfer receipts. All incoming wire transfers post to CVWD's Operating Account. The source of these wires may be property taxes from the County of Riverside, grant funds from the federal government, transfers from the Riverside County Investment Pool "TPIF" account, etc. Finance's General Accountant records the property tax cash receipts. Grant revenues are accrued as soon as grant billings are sent out to the federal or state agency. The Cash Accountant records incoming transfers between TPIF and the Operating Account as journal entries. Any revenues that have been receipted through the Miscellaneous Receivables system will be entered as cash receipts and posted against the respective receivable.

### **Depositing of Received Funds**

Customer Service serves as the primary recipient for all revenue collection at both Coachella and Palm Desert. Cash receipts are batched by Customer Service each day. These batches are reconciled each business day and recorded in the financial system by Customer Billing. Finance posts these cash receipts batches and reconciles them to the daily cash received at the bank.

### **Special Nature of Other Funds**

See the separate Accounts Receivable Collection and Debt Write-Off Policy for handling of special revenues such as claims, developer fees, etc. See the Grants Administration Policy for the handling of grant revenues.

### **Returned Checks, ACH's, E-checks, Chargebacks, Etc.**

CVWD's Service Department, which includes Customer Billing, has a separate Returns Procedure. This procedure establishes the minimum requirements for processing returns from ACH, Auto Debit, E-checks, Home Banking, Chargebacks and Bank Adjustment Advices. This procedure was implemented to ensure that the customer is notified of a failed payment and the collection of that payment is followed up.

### **Accounts Receivable Management and Bad Debts**

See the separate Accounts Receivable Collection and Debt Write-Off Policy, which discusses the following:

1. Accounts receivable are recorded in a manner that allows for aging analysis.
2. After reviewing available collection options, CVWD established procedures that maximize collections.
3. Bad debt expense will be estimated.
4. An allowance for doubtful accounts will be recorded.
5. Write-offs will be periodically performed to ensure that accounts receivable and allowance balances are not overstated.
6. Efforts will be made to pursue the timely collection of delinquent accounts.

### **Budgetary Review**

1. Revenue collections and accounts receivable should be monitored in a timely manner. The Financial and Management Analysts review revenue collections monthly. The Controller, Accountant and Accounts Receivable Accounting Technician monitor revenues and accounts receivable monthly. The Finance Director and Controller receive monthly financial reports that include Budget vs. Actual Revenue Reports, as well as copy of the accounts receivable aging.
2. Actual and budgeted revenues are monitored monthly. The Board of Directors receives a Budget vs. Actual Quarterly Report analyzing revenues and expenses, including significant variances.

### **Compliance**

It is the intent of this Revenue Control Policy to remain in full compliance with federal, state, local, or other applicable laws or requirements.

## **Definitions**

*Accounts Receivable:* Amounts due when revenue has been earned but not yet received or the District has rights to an asset that has not yet been received.

*Cash Receipts:* Money in the form of US coins and currency, electronic forms of payment, checks or money orders received from any source, including, but not limited to, customers, developers, grant awards and payments for permits, fees, merchandise and services provided.

*Internal Controls:* Processes designed to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

*Revenues:* Increases in fund financial resources other than from inter-fund transfers and debt issue proceeds.

## **Contact**

Questions or comments may be directed to the Controller, Accountant or Accounts Receivable Accounting Technician at 760-398-2651.