
2701.3 ADDENDUM - INTERNAL CONTROL STANDARD #3: REVENUE CYCLE

Subject: Internal Control
Effective: December, 1986
Revised:
Last Reviewed: April 2016
Responsible Office: Comptroller
Approval: Comptroller

DEFINITION

The revenue cycle includes transaction flows pertaining to the revenue generating and collection functions, and related controls over such activities as sales, collection of tuition and fees, accounts receivable, investments and other revenues.

GENERAL STANDARDS

1. Records should be maintained of unfulfilled sales commitments, such as uncompleted printing orders or undelivered computers, in order to determine the provision required for any liability and/or losses arising there from.
2. Control should be established over credit sales, deferred tuition and fees, and services performed so as to:
 - A. Establish an accounts receivable record and make appropriate charges to customers or students for all such credit transactions;
 - B. Determine the amount of the related revenue which has not been entered as accounts receivable;
 - C. Make the related entries in the detailed inventory records, where required; and
 - D. Establish a proper reserve for uncollectible accounts.
3. Control should be established over cash sales of goods and services in order to:
 - A. Ensure that payment is received upon delivery;
 - B. Account for all such sales; and
 - C. Make the related entries in the detailed inventory records, where required.
4. Control should be established over goods returned by and claims received from customers, such as the return of personal computers, so as to:
 - A. Determine and record the liability for goods returned and claims received but not entered in the accounts receivable records; and

- B. Make the related entries in the detailed inventory records, where required.
5. All charges and credits to customers and students should be appropriately checked as being valid before being entered in the accounts receivable records.
 6. All valid accounts receivable transactions, and only those transactions, should be accurately recorded as accounts receivable.
 7. Control should be established over all cash and checks received. Such receipts should be deposited promptly in the appropriate University bank account.
 8. Accurate detailed records should be maintained of inventories whether purchased for use or resale.
 9. General ledger entries arising from the revenue cycle should be accurately determined.
 10. Customers should be approved for credit worthiness before orders are accepted and goods are delivered or services performed.
 11. Payment should be obtained for all sales to University employees.
 12. All documents and transactions pertaining to bills, acceptances, and notes receivable should be:
 - A. Accurately recorded in order to determine the outstanding amounts receivable; and
 - B. Adequately safeguarded prior to maturity.
 13. Accurate records should be maintained of accounts receivable which have been written off. A regular review should be made to ensure that any possible recoveries are received by the University.
 14. All income from miscellaneous sales (e.g., disposal of assets) should be received and recorded.
 15. All revenue derived other than through normal sales or student tuition and fees should be received and recorded.
 16. General ledger entries with regard to accrued and deferred income should be accurately determined.
 17. Accrued interest and credit charges receivable should be accurately calculated and accounted for in the correct financial periods.
 18. Accurate records should be maintained of goods held on behalf of third parties (such as goods sold but held for later delivery) so as to:
 - A. Enable such goods to be identified separately from those owned by the University; and
 - B. Provide a basis to establish the liability for any such goods not ultimately delivered.