

ALG-CX-5.5: Control Activities Form for Service Revenue and Receivables-Proprietary Fund Types

Governmental Unit: Mohawk Valley Water Authority
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Financial Statement Date: March 31, 2008
 Date: 6/30/2008

Instructions: See separate instructions at [ALG-CX-5](#) .

	Assertions	Control Type:		Is the Control:		Comments
		Dependent Upon IT? (Y or N)	Manual or Automated? (M or A)	Properly Designed and Implemented?	Effective?	
1. Monitoring and segregation of duties— control activities tested through inquiry and observation						
a. Service revenues						
i. Budgeted revenues that can be reasonably estimated are periodically compared to actual amounts, and the appropriate level of management or another appropriate person (such as a governing board member) investigates significant differences.	E/O, C, A/CL	N	A	Y	Y	Performed monthly (See Monthly Financial Report – Flash Schedule). Reviewed by the Comptroller
ii. Service fee rates, fees, etc., are approved by the governing body and publicly announced or published in accordance with applicable laws and regulations.	[E/O], [C]	Y	A	Y	Y	Rates are approved by the Board of Directors
iii. The governmental unit has established credit policies.	V	Not Appl	Not Appl	Not Appl	Not Appl	MVWA provides water service to all new applicants.
iv. The credit function is independent of the billing function.	[E/O], V	Not Appl	Not Appl	Not Appl	Not Appl	MVWA provides water service to all new applicants. Thus, no credit department exists
v. Billing is independent of cash handling and accounts receivable bookkeeping.	E/O	Y	A	Y	Y	Billing Clerk does not handle cash and does not maintain general ledger accounts

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vi. There are defined cutoff procedures that are continually monitored by the appropriate level of management or another appropriate person.	C, C/O	Y	A	Y	Y	The Comptroller reviews monthly consumption levels on an on-going basis and significant account adjustments input by the Billing Clerk
vii. The organization has established policies for the recording or deferral and amortization of income related to revenues and fees, etc., and adherence to those policies is periodically reviewed by the appropriate level of management or another appropriate person.	E/O, C, V/A	Not Appl	Not Appl	Not Appl	Not Appl	MVWA does not record deferred income
viii. The governmental unit has established procedures to ensure that all reimbursable costs or contract costs are billed and adhered to those procedures and are periodically reviewed by the appropriate level of management or another appropriate person.	E/O, C	N	M	Y	Y	Reimbursable costs are minimal (i.e. government grants such as EPA) and miscellaneous billing for Lab work performed are billed by the Water Quality Department.
ix. The governmental unit sends statements to customers.	E/O, C	Y	A	Y	Y	Water customers are billed without delay.
Other control activities (specify). []						
b. Receivables						
i. Maintenance of the receivable subsidiary ledger is independent of general ledger maintenance.	E/O	Y	A	Y	Y	The General Ledger is maintained by the Accounting Supervisor. The Accounts Receivable subsidiary ledger is maintained by the I/T Department

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ii. Customer complaint follow-up is independent of accounts receivable, bookkeeping, and cash handling.	E/O, [A/CL]	Y	M	Y	Y	CSR's follow-up customer complaints and inquiries and can update customer accounts records. However, all adjustments must be approved by the CSR Manager. The Manager also reviews the "Monthly Account Adjustment Report"
iii. Customer complaints and billing questions are followed up and resolved on a timely basis.	E/O, A/CL	Y	M	Y	Y	On a daily basis CSRs' meet with customers to discuss concerns and inquiries
iv. Recording and approval of credit adjustments and refunds is independent of cash handling and other accounts receivable bookkeeping.	E/O, [V]	Y	M	Y	Y	Customer Service Dept. Manager reviews and approves all proposed adjustments to customer accounts. CRS personnel do not handle cash
v. Noncash credits to accounts receivable are periodically reviewed by the appropriate level of management or another appropriate person.	[E/O], [C], [A/CL], [V]	Y	M	Y	Y	All credits are reviewed and approved by the Customer Service Manager
vi. Monthly statements of customer accounts are reviewed by the appropriate level of management or another appropriate person before mailing.	E/O, C, [A/CL]	Y	A	Y	Y	MVWA reviews customers' bills through an "Exception Report" questions are followed up with various levels of management
vii. Monthly statements of customer accounts are mailed by someone other than the person responsible for accounts receivable bookkeeping.	E/O	N	M	Y	Y	Billing Clerk also mails the water bills. The Clerk however, does not receive customer payments, and does not maintain accounts receivable records.
viii. The governmental unit prohibits loans to employees and governing board members.	[E/O], [C], [V]	N	M	Y	Y	No loans to employees are made
ix. Employees with receivable responsibilities are required to take vacations and other employees are required to perform those functions when an employee is absent.	[E/O], [C], [V]	N	M	Y	Y	All MVWA personnel take vacations

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Other control activities (specify). []						
2. Recording, monitoring, and reconciliation— control activities tested through inquiry and document inspection						
a. Service revenues						
i. Summary totals (for example, batch totals) of billings are prepared daily and compared to the posting to the control account. (Depending on the system, this could be a primary control.)	[E/O], C, [A/CL], [CO]	Y	A	Y	Y	The Accounting Supervisor performs this function at month end
ii. Billing records are periodically compared to service logs with follow-up of services not yet billed.	E/O, A/CL, [CO]	Y	A	Y	Y	I/T Dept. oversees billing cycles read vs. billed. Notifies Comptroller when read cycles are not billed on a timely basis
iii. The appropriate level of management or another appropriate person periodically compares actual revenues to budgeted revenue and follows up on significant variances.	E/O, C, A/CL	N	A	Y	Y	See Monthly Financial Report (Flash Schedule). Review performed by the Comptroller
Other controls (specify). []						
b. Receivables						
i. The governing body or a responsible official approves write-offs of receivables.	E/O, C, V	N	M	Y	Y	The Comptroller approves all write-offs
ii. Receivables from miscellaneous activities are periodically reviewed and significant amounts are reported to the governing body.	E/O, C, A/CL, V	Y	A	Y	Y	Significant miscellaneous receivables (i.e. delinquent accounts sent to tax roll) are reviewed monthly by the Comptroller
iii. Cash receipts on account are compared to total credits to receivables.	[A/CL]	Y	A	Y	Y	Accounting Supervisor prepares cash receipt journal entry Comptroller reviews

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iv. Aged receivable listings are prepared and periodically reviewed by the appropriate level of management or another appropriate person.	V, [E/O], [C]	Y	A	Y	Y	Prepared and reviewed monthly (refer to Monthly Financial Report)
v. The appropriate level of management or another appropriate person reviews reconciliations between receivable trial balances and general ledger control accounts.	E/O, C, A/CL, [CO]	Y	A	Y	Y	Accounting Supervisor performs the reconciliation subject to review by Comptroller
vi. The adequacy of the allowance for doubtful accounts is assessed periodically by the appropriate level of management or another appropriate person.	V	Y	M	Y	Y	The Comptroller addresses the need for adjustment on an on-going basis.
Other controls (specify). []						
3. Billings and credit memos—control activities tested by detail testing (including inspection, recomputation, and reperformance, where applicable) of documents related to a sample of transactions						
a. Credit policies are adhered to.	V	Not Appl	Not Appl	Not Appl	Not Appl	MVWA provides water service to all new applicants. The MVWA does not have a credit department
b. Consumption documents indicate that services are verified.	E/O, C, A/CL	N	M	Y	Y	Meter readers' readings are the source for consumption billed
c. Billings are:						
i. Recomputed before recording.	A/CL	Y	A	Y	Y	This is an automated function based on approved rates. Billing amounts are checked periodically using "Excel" billing template
ii. Agreed with an approved price list before recording.	A/CL	Y	A	Y	Y	This is an automated function based on approved rates
iii. Recorded properly as to account, amount, and period.	A/CL, CO	Y	A	Y	Y	Done by the Accounting Sup. at month end

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d. Credit memos are approved based on proper documentation and are recorded properly as to account, amount, and period.	E/O, A/CL, CO	N	M	Y	Y	Customer Service Manager approves all credit adjustments
e. The appropriate level of management or another appropriate person approves adjustments to customers' accounts.	E/O, [V]	N	M	Y	Y	Customer Service Manager approves all account adjustments
Other control activities (specify). []						
4. Reconciliations between units of service provided and amounts billed—control activities tested by review of selected service records for evidence of reconciliation.	E/O, C, A/CL, [CO]	Not Appl	Not Appl	Not Appl	Not Appl	MVWA does not have multiple units of service
5. Reconciliation of receivable trial balances to the control accounts—control activity tested by review of trial balances for evidence of reconciliation.	[E/O], [C], A/CL, [CO]	N	Y	Y	Y	General Ledger Control account and accounts receivable are reconciled by the Accounting Supervisor