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## Chapter 9 – Receipt of Funds

All receipts of monies of the State are credited into the General Fund (GF) (**29 Del. C. §6102 (a)**), except as noted otherwise in this Budget and Accounting Policy Manual (Manual). Funds not deposited into the GF are placed in Special Funds (SF) and accounts.

The Office of the State Treasurer (OST) is responsible for loading daily deposit information received from the State's banks into the State's financial management and accounting system. Organizations are then responsible for applying deposits into the correct appropriation.

The Secretary of Finance is accountable for all monies collected on behalf of the State. These monies include, but are not limited to, receipts for taxes, fines, fees, sales (including proceeds from the disposition of surplus property), rentals, admissions, tuitions, gifts, grants, and donations.

### 9.1 Cash Management Policy Board

The Cash Management Policy Board (Board) (**29 Del. C. §2716**) determines policies for the investment of all money belonging to the State, except money deposited in any state pension fund or State Deferred Compensation Program. Additionally, the Board determines the terms, conditions, and other matters relating to the protection and maintenance of State investments, including the designation of permissible investments.

The Board has determined and requires that:

- Deposits of State monies must be continuously and fully secured by direct general obligations of the United States of America, other obligations unconditionally guaranteed (principal and interest) by the United States of America, or other suitable obligations (**29 Del. C. §2716 (a) (1)**);
- The selection of financial institutions to provide banking and investment services involving the funds for which the Board is responsible must be conducted on an open and competitive basis (**29 Del. C. §2716 (a) (2)**); and
- Temporary clearing accounts and major disbursement accounts are established in a bank or banks whose principal office is located within the State (**29 Del. C. §2716 (a) (3)**).

The OST is responsible for enforcing all policies established by the Board with respect to the creation of all checking accounts by the State (**29 Del. C. §2716 (d) (2)**). The OST is also responsible for investing monies belonging to the State in accordance with the Board's policies, except as noted otherwise in this Manual (**29 Del. C. §2716 (e) (1)**). The Board may amend or change these policies from time to time and may grant waivers for these policies, should the Board determine the policies are not in the State's best interests.

Organizations must report to the OST projections of receipts and expenditures, so the State Treasurer may provide the Board with accurate cash flow forecasts (**29 Del. C. §2716 (e) (2)**).

## **9.2 Cash Receipts**

Organizations must exercise close control in handling Cash Receipts (CR). Exact audit requirements for processing CRs may vary among Organizations; however, the following basic procedures must be followed:

- Organizations must separate the functions of cashier and accounting among personnel.
- Frequent and unannounced cash counts must be conducted by Organization personnel other than those responsible for the handling and accounting of CRs.
- Cashiers must issue official pre-numbered receipts to payers, a copy of which will be retained for audit purposes.
- Check endorsements should satisfy general endorsement requirements, as outlined periodically by the OST.
- Where the authorized depository is other than the official depository, undeposited checks, the proceeds of which belong to the State, but are not made payable to the State Treasurer, may be endorsed as follows:

"Pay to the Order of the Treasurer,  
State of Delaware  
Payee"

All monies that belong to the State must be deposited on the day of receipt, except funds received after the close of normal banking hours or daily receipts totaling less than \$100. Funds must be deposited to the credit of the State Treasurer into the designated bank for the State's funds.

Organizations that receive less than \$100 in daily receipts are required to deposit the funds when the accumulated receipts exceed \$100 or on a weekly basis, whichever occurs first. Monies received after the close of normal banking hours will be deposited on the next business day. However, if the receipts are of a significant magnitude, Organizations should make arrangements for an after-hours deposit (**29 Del. C. §6103 (a)**).

### **9.2.1 Stock Dividends and Interest**

The OST may receive dividends or interest from any stock, shares, loans, or investments of monies belonging to the State or to a school. The OST is responsible for allocating the received funds to the proper Organization (**29 Del. C. §2709**). Organizations are responsible for applying the funds to the correct Organization appropriation.

### **9.2.2 Tax Receipts**

The Division of Revenue (DOR), Department of State, and the Bank Commission have independent systems to manage the detailed accounting associated with collected tax revenues. Tax period and taxpayer-specific information is captured from the tax remittance documents (e.g., tax return forms, checks) and entered into the appropriate system. A CR transaction is processed by Organizations to properly credit the CRs into the State's cash collections account and the State's financial management and accounting system.

## **9.3 Special Funds Collections**

The current list of SFs and Accounts are included in Chapter 3 Section 3.2.

### **9.3.1 School Internal Funds**

School internal funds are generally collected by the school district, with the disbursement of the funds at the discretion of the school authority. Accounts should be maintained for all internal funds in a safe depository, and each school district must define procedures concerning the maintenance of their internal accounts, including the proper documentation of all transactions. All internal funds are subject to audit by the State Auditor.

School internal funds include the following:

- Accommodation accounts for student and employee community drives;
- Student Class/Club accounts that are expended only upon the authorization of the class or club; and
- Accounts for small miscellaneous sums to be paid to the State Treasurer at the end of each month.

Funds not maintained under the custody of the OST should be managed as regular school internal funds and are subject to the accounting procedures described above.

### 9.3.2 Cash Receipts from the Sale of Bonds, Notes, and Revenue Notes

Proceeds from the sale of bonds, notes, and revenue notes, including premiums and accrued interest, are deposited by the OST into State funds as follows:

- All proceeds from the sale of bonds or notes, other than premiums or accrued interest, are deposited into a SF or funds of the State and are applied for the purposes for which the bonds or notes were issued.
- All proceeds from the sale of revenue notes and all accrued interest from the sale of bonds or revenue notes are deposited into the GF.
- Any premium from bonds or revenue notes are deposited, at the discretion of the Director of the Office of Management and Budget (OMB), the Controller General, and the Secretary of Finance, into:
  - SFs of the State; or
  - An escrow fund to redeem or refund debt service on any debt or obligation of an instrumentality of the State.

(29 Del. C. §7414 (a))

### 9.3.3 Federal Grant Funds

All federal grant funds should be made payable to the State Treasurer. Funds will be credited to the State's "Federal Aid Account" SF (29 Del. C. §2711 (a)), unless the federal government requires the funds for a specific grant to be segregated into a separate account. The OST is responsible for establishing any such segregated accounts for grant funds in compliance with all federal requirements. Organizations should use the delivered functionality of the State's financial management and accounting system to bill grantors for drawdowns associated with the Organization's grant(s).

### 9.3.4 Refunds to the State

Organizations periodically receive refunds from employees or vendors. The refunds (GF and SF) are processed as follows:

- Refunds resulting from **current fiscal year expenditures** are credited to the appropriation from which the monies were expended.
- Refunds resulting from **prior fiscal year expenditures** are credited to the appropriation from which the monies were expended if the appropriation is an active appropriation in the current fiscal year. Refunds are treated as an associated revenue

if the appropriation from which the monies were expended is not active in the current fiscal year. An active appropriation is an appropriation with an open budget status and spending period.

Refunds of federal grant or Capital/Bond Fund monies are credited to the appropriation from which the monies were expended, regardless of whether the expenditure is from a prior or current fiscal year, assuming the appropriation is active.

**NOTE:** Expenditure-reducing credits are intended for use with refunds only. **Expenditure-reducing transactions are not to be used as a routine method of processing the receipt of fees and/or reimbursements**, except when specifically identified and authorized by the Delaware Code, Budget Act Epilogue, other legislation, or this Manual. If this limitation hampers or jeopardizes an Organization's programs or operations, the Organization should discuss the issue with its assigned OMB Fiscal and Policy Analyst.

### 9.3.5 School Facilities Usage Fees

A local school board may allow school-sponsored organizations, nonprofit organizations, or any governmental Organizations to use school property or equipment under its jurisdiction free of charge; or the local school board may adopt a policy to charge these Agencies or Organizations a fee for costs incurred in excess of normal operations.

Other organizations, including for profit organizations, which receive approval to use school property and/or equipment, are charged an amount at least equal to the costs incurred in excess of normal operations. Local school boards are responsible for determining and calculating these costs and for maintaining appropriate documentation of the calculations, which are subject to audit.

Recoverable costs include: custodial salaries, other employment costs, heat, lighting, and other identifiable operational costs. All such facilities usage fees collected by a local school board are retained by the school district to be used as local funds for any permissible educational purpose.

### **9.3.6 Fees for the Examination and Copying of Public Records**

The Freedom of Information Act (**29 Del. C. §10003**) allows the charge of a reasonable fee for the reproduction of public documents, upon the request of any citizen. The first 20 pages of standard-sized (8.5" x 11", 8.5" x 14", and 11" x 17"), black and white copies shall be provided free of charge. Copies over and above 20 shall be \$0.10 per sheet (\$0.20 for a double-sided sheet). The fee for copying oversized public records shall be as follows: 18" x 22", \$2.00 per sheet; 24" x 36", \$3.00 per sheet; and documents larger than 24" x 36", \$1.00 per square foot. An additional fee of \$1.00 per sheet will be assessed for all standard-sized, color copies and \$1.50 per sheet for larger copies. Organizations should credit the receipt of these fees as an expenditure reduction for reproduction costs.

If the designated fee per copy is not an adequate recovery for an Organization, the Organization may submit a request to the Director of OMB to increase the fee and/or charge administrative fees. The request should include cost factors based on both the copy machine cost and the operator's cost. Organizations requiring assistance in calculating a modified copy fee should contact OMB's Government Support Services (GSS).

### **9.3.7 Restitution Processing**

State employees and private citizens who are found guilty, by a court or through another settlement process, of theft, embezzlement, or fraud, in the handling or receipt of State funds or property, may be required to make restitution to the State. Proper handling of the restitution must be addressed on a case-by-case basis.

Organizations must inform the Director of OMB and the Secretary of Finance of the details of any and all incidents of theft, embezzlement, or fraud with respect to State monies or property as soon as the alleged behavior is discovered. This notification will allow the Budget and Finance offices to effectively participate in the investigation and/or resolution processes, including the development of acceptable settlement and restitution provisions. Organizations should contact the Division of Accounting (DOA) to determine proper processing requirements for any restitution payments received.

## **9.4 Accounts Receivable**

Accounts Receivable represents amounts billed or billable to patients, clients, or taxpayers when the State provides goods and services or when the State establishes a due date for various fees or taxes. An accounts receivable report is submitted to the Department of Finance (DOF) each year as part of the annual Generally Accepted Accounting Principles (GAAP) reporting package.

### 9.4.1 Collections

Every reasonable effort should be made to collect all receivables. Each Organization with accounts receivables must develop and implement procedures for a positive collection effort, including procedures for evaluating the effectiveness of the Organization's collection efforts and procedures for determining Doubtful Accounts.

Organizations should coordinate with the DOF and consult with the Attorney General to develop collection procedures. Each Organization must provide an annual written report of its procedures, or any amendments to its procedures, to the Secretary of Finance as part of the annual GAAP reporting package.

Organizations are required to cooperate with the Attorney General in effecting collections and should use remedies provided by the legal system, as appropriate. If the account remains uncollectible, the Organization should refer the account to the Secretary of Finance with all pertinent information.

All Organizations collecting accounts receivable should solicit the assistance of other Organizations that have a collections staff. Organizations with collections staff should make every effort to provide assistance to other Organizations. Organizations require prior written approval from the Secretary of Finance and the Attorney General to enter into a contract with a professional collection service.

### 9.4.2 Doubtful Accounts

Organizations are required to calculate an Allowance for Doubtful Accounts to determine a realistic net value for expected receivables. "Doubtful Accounts" is the term for the estimated receivables an Organization does not expect to collect in the near future.

Organizations may determine an Allowance for Doubtful Accounts using either the Percentage of Outstanding Receivables method or the Aging of Receivables method. Organizations should contact DOA for assistance calculating doubtful accounts.

Organizations must document the procedures used to determine the amount of doubtful accounts and include the procedures as part of the annual GAAP reporting package submitted to DOF. The procedures used to determine doubtful accounts should be reviewed periodically to determine whether revisions are necessary due to changing conditions.

**NOTE:** The Allowance for Doubtful Accounts is not a write-off of accounts receivable.



### 9.4.3 Waiver of Accounts Receivable Compliance

An Organization may request a full or partial waiver from accounts receivable requirements if the Organization satisfies outside requirements that are more stringent than the State's policy. Waiver requests should be made in writing and submitted to the Secretary of Finance for approval.

### 9.4.4 Write-Offs

Organizations must obtain written approval from the Cabinet Secretary or Organization Head to remove an account from an Organization's list of active accounts receivable. The reclassification of a full or partial account balance to an inactive status does not forgive the debt. The account balance remains subject to collection in the event the Organization determines circumstances have changed at a later date.

Organizations must maintain the following documentation to obtain approval to reclassify an account balance to an inactive status:

- Documentation of the Organization's collection efforts for the account balance in question;
- Documentation of the collection efforts, if any, by the Attorney General; and
- Certification by the Attorney General, or his deputy, that the potential recovery and costs of collection do not merit further collection efforts.

An Organization may certify it has followed its previously filed and approved collection plan, in lieu of a declaration from the Attorney General that further collection efforts are unwarranted.

Upon approval by the Cabinet Secretary or Organization Head, Organizations should remove the full or partial account balance from the Organization's active accounts receivable file and place the account into a permanent inactive file.

In the event there are collections of any or all of the account after it is written off, the collections are to be recorded as GF revenue to Account 49159, Bad Debt Recovery, in the year they are received. It is not necessary for the Organization to request the former receivable be re-activated.

The Organization's permanent inactive file must be updated and noted for such collections.

Annually the Organization must notify the Secretary of Finance of the status of the inactive accounts through submission of the following information to DOA:

- Current year approved write-offs;
- Current year collections of prior write-offs
- Year-end balance of the permanent inactive file.