

Chapter 7
Accounting and Control of Revenues and Accounts Receivable

7.0 POLICY STATEMENTS

7.1 INTRODUCTION

- 7.1.1 Purpose
- 7.1.2 Policy Objectives
- 7.1.3 Revenue Process
- 7.1.4 Definitions
- 7.1.5 Classification of Revenue
- 7.1.6 Assignment of Responsibilities

7.2 IDENTIFYING AND CLAIMING REVENUE

- 7.2.1 Charging Fees for Services
 - 7.2.1.1 Categories
 - 7.2.1.2 Proposals for Introducing or Changing Fees and Charges
 - 7.2.1.3 Proportion of Costs Recovered
 - 7.2.1.4 Periodic Review and Adjustment
 - 7.2.1.5 Management Board Secretariat Assistance
 - 7.2.1.6 Claiming Revenue
 - 7.2.1.7 Methods of Claiming Revenue
 - 7.2.1.8 Adequate Controls
- 7.2.2 Transfers from Other Governments
 - 7.2.2.1 Grants from Canada
 - 7.2.2.2 Cost Share Agreements
 - 7.2.2.3 Flow-through Arrangements
 - 7.2.2.4 Transfer of Tangible Capital Assets from Other Governments

7.3 BILLING, CONTROLLING AND COLLECTING ACCOUNTS RECEIVABLE

- 7.3.1 General
- 7.3.2 Billing Procedures
- 7.3.3 Accounting for Receivables
- 7.3.4 Collection of Receivables
- 7.3.5 Bankrupt Debtors
- 7.3.6 Missing Debtors
- 7.3.7 Cost Sharing with Other Governments/
Expenditure Recoveries
- 7.3.8 Write-off of Uncollectable Debts
 - 7.3.8.1 Policy
 - 7.3.8.2 Procedures

Chapter 7
Accounting and Control of Revenues and Accounts Receivable
(CONTINUED)

- 7.4 CONTROL OF CASH RECEIPTS**
 - 7.4.1 Cash Handling/Receipt of Cash
 - 7.4.2 Recording of Cash Receipts
 - 7.4.3 Custody of Cash Receipts
 - 7.4.4 Deposit of Cash Receipts
 - 7.4.5 Reconciliation Procedures
 - 7.4.6 Cash Overages/Shortages
 - 7.4.7 Credit/Debit Cards and E-commerce

- 7.5 REPORTING OF REVENUE**
 - 7.5.1 Content of Reports
 - 7.5.2 Use of Reports
 - 7.5.3 Reconciliation of Revenue
 - 7.5.4 Cost-Sharing Programs

- 7.6 REFUNDS**
 - 7.6.1 Definitions
 - 7.6.2 Approval Authority
 - 7.6.3 Directives

7.0 POLICY STATEMENTS

Assignment of Responsibilities

Financial officers are responsible for the collection, management and accounting for revenue under the direction of the deputy head of their departments, and within the financial control and cash management policies of the Deputy Head of the Department of Finance.

Identifying and Claiming Revenue

Departments should ensure that there is enabling legislation or other authorities for the collection of revenues and that related procedures are in accordance with these authorities.

Departments should consider whether charges should be levied taking into account the intent of their legislation, the purpose of the goods and services being provided and their cost, as well as the cost of collecting such revenue.

Revenue should be collected whenever possible before or at the time services are rendered or goods supplied.

Systems should effectively ensure that all revenue to which the government is entitled is claimed.

Control of Cash Receipts

All cash received should be properly safeguarded, promptly deposited, appropriately recorded and regularly accounted for.

Billing, Controlling and Collecting Accounts Receivable

If cash cannot be collected before or at the time services are rendered or goods supplied, and when there is no other authority, Department of Finance approval should be obtained to require deposits or extend credit, and appropriate accounts receivable records should be established.

Department of Finance should establish procedures for reviewing and collecting accounts receivable; The Accounts Receivable unit is charged with the collection of non tax accounts receivable. Tax accounts receivable other than those levied under the Assessment and Taxation Act and the Liquor Tax Act are the responsibility of the Revenue Branch of the Department of Finance. Collection of taxes under the Assessment and Taxation Act is the responsibility of the Department of Community and Transportation Services. Collection of taxes under the Liquor Tax Act is the responsibility of Yukon Liquor Corporation.

Accounts Receivable that are uncollectible should be written-off in

7.0 (Continued)

accordance with the provisions of the Management Board Directive dealing with write-offs where applicable, should be obtained to write-off the accounts that are uncollectible. Where the amount of the write-off exceeds the authority of the Treasurer, Commissioner's approval of the write-off is required.

Standard Reporting Procedures

Revenues collected/charges levied should be recorded in the General Ledger system for analysis, and reporting.

Accounts receivable outstanding at the end of the fiscal year should be reported for review and inclusion in the Territorial Accounts.

Cost-Sharing Programs

Costs incurred under cost-sharing programs should be recorded gross, with costs recovered being recorded as recovery.

7.1 INTRODUCTION

7.1.1 Purpose

The purpose of this Chapter is to document and communicate government policies, practices and procedures for departments to follow, for determining, claiming, recording, controlling and reporting earned revenue and recoveries of expenditures; and for the handling of public funds and funds entrusted to our care.

Accounting and control of revenue and accounts receivable should receive the same attention and dedication as the accounting and control of expenditures.

7.1.2 Policy Objectives

The *Financial Administration Act* requires that all revenue shall be paid into the Yukon Consolidated Revenue Fund, unless otherwise specifically authorized by appropriate legislation.

It is the government objective to claim revenue as prescribed in applicable legislation, regulations, agreements or other appropriate authority; and to ensure that when public funds are received that they are adequately accounted for, safeguarded and deposited to the credit of the Yukon Government as quickly as possible.

7.1.3 Revenue Process

The revenue process involves the following:

- Identifying the taxes, fees, fines, goods, or services, permits or licences for which fees are or should be charged.
- Identifying and recognizing other appropriate external funding opportunities available to the Government of Yukon for developing existing or creating new initiatives and programs.
- Obtaining legislative or other appropriate authority for claiming the revenue.
- Claiming revenues as they arise.
- Collecting, recording and depositing revenues collected.
- Recording, collecting and controlling accounts receivable.
- Controlling, safeguarding and reporting all revenues received.

7.1.4 Definitions

The following terms are defined for purposes of this chapter.

Revenue

The gross proceeds from taxes, fees and charges levied for goods and

7.1.4 (Continued)

services provided, regulatory fees, fines and penalties, returns on investments, and transfers from other levels of government except for those identified in subsection 7.2.2.3 of this manual.

Claiming

The process of establishing the Government's right to revenue for services rendered or goods supplied to the public and/or others.

Revenue Officer/Official

Any person engaged, appointed or employed for the purpose of collecting, managing or accounting for public money.

Accounts Receivable

Amounts owing to the Government which become receivable when the debtor's obligation arises.

7.1.5 Classification of Revenue

Revenue is classified as either tax revenue, non-tax revenue, expenditure recoveries or transfers from other governments.

Tax revenue includes all monies collected through taxation. Non-tax revenue includes principally those monies arising from fees, charges levied for goods and services provided, regulatory fees, fines and penalties, interest earned and return on investments.

The Public Accounts classify revenue by source which corresponds closely to that presented in the annual Main Estimates.

Classification of revenue is the responsibility of the Department of Finance.

7.1.6 Assignment of Responsibilities

The responsibilities of various participants in the revenue process may be set out specifically in legislation or may be delegated. The principal participants and their responsibilities are outlined as follows:

Department of Finance

- Formulates and communicates general financial policies pursuant to the *Financial Administration Act* relating to affairs of the government.
- Prepares appropriate regulations and issues relevant directives prescribing the procedures and conditions for the collection, recording, deposit and reporting of government revenue.
- Maintains overall responsibility for the collection, control and management of all government revenue and receivables.

7.1.6 (Continued)

- Provides guidance to departments and agencies in accounting for and control of revenue.
- Maintains classification control of revenue and recoveries.
- Pursuant to the Financial Administration Act, requires every public employee, public official, personal service contractor, revenue officer or agent of the government, involved in the collection of public funds, to keep adequate financial records, and make these available to the Deputy Head of Finance, or his/her representative as may be necessary from time to time.
- Maintains the principal financial records of the Government in respect of revenue and receivables.
- Prepares the Public Accounts which, amongst other things, must include all revenues and receivables.
- Maintains central cashier facilities and services for the government, including, receipts and deposit of funds and other banking operations.
- Collects and monitors accounts receivable, including assistance from departments, as may be required.
- Prepares cash flow projections and analysis.
- Controls the cash budget requirements.
- Carries out surplus cash investments and other money market operations.

Deputy Ministers

All departments and agencies must have adequate and effective documented systems for claiming, accounting and control of public monies and accounts receivable that come under their jurisdiction.

Normally, deputy ministers will carry out their responsibilities by delegation through their financial officials. Such financial officials may be responsible for any or all of the functions involving claiming, collection, accounting, control and reporting of departmental revenue and receivables.

Senior departmental financial officials should:

- Regularly review services provided to the public to determine if charges are appropriate, should be introduced, or should be adjusted due to increased costs, etc.
- Ensure that other departmental financial staff are aware of and follow appropriate policies and procedures for claiming, accounting and control of public revenue and receivables.

7.2 IDENTIFYING AND CLAIMING REVENUE

7.2.1 Charging Fees for Services

7.2.1.1 Categories

Services provided to the public under departmental programs fall into two categories; those that are provided because of collective political choice (public goods), and those that are provided on the basis that the use of services requires payment of a price (service to the public).

Public Goods

These are services which satisfy the needs of the public as a whole, and from which everyone stands to benefit. Since everyone benefits, it is considered equitable that the costs of the services be borne through general taxation. An example of public goods are services related to education or highways.

Services to the Public

These are services of public importance rendered by government to individuals or groups of individuals, either at their specific request or arising from the actions. Since the services are usually rendered at the option of identifiable individuals or groups of individuals, the cost of the service or at least some portion of it, should be borne by them. Examples of services to the public are the issuance of certificates, licences and permits.

Other Services

In addition to those services to the public which are rendered on request, there are other services which are principally of a regulatory nature for which the individual who receives the service receives a personal benefit, and so may be required to pay for it. Examples are inspection services and the granting of certain licences and permits.

7.2.1.2 Proposals for Introducing or Changing Fees and Charges

Where services to the public are being provided, departments should annually submit proposals for introducing or changing fees and charges. Normally, these proposals should be forwarded to the Budget Bureau prior to budget submissions, and should include details as follows:

- The pricing policy proposed.
- Components of cost on which prices will be based.
- The computation of the first changes from any statutory rates it is intended to implement if the proposal is approved.
- The proposed time period for a cyclical review of costs and charges.

7.2.1.3 Proportion of Costs Recovered

Normally charges for a service to the public should first be considered in the light of rates which will recover the full cost of the service. However, recovery of total costs cannot be justified in all circumstances. Where a service is of a regulatory nature, or is partially of a regulatory nature, a fee or charge fixed on a total cost basis may not be warranted.

Accordingly, departments should ensure that all factors are considered when establishing or proposing fee or charge structures. Some of the factors that should be considered are:

- Relationship between costs of regulatory services and fees charged.
- Comparison of fees charged by other jurisdictions, which provide similar services, under comparable conditions or circumstances.
- Estimated value to the public of the service.
- Fair market value.
- Ability to pay.
- Current rate of inflation and other monetary pressures.

7.2.1.4 Periodic Review and Adjustment

Where services to the public are being provided, departments should regularly review fees and charges to determine whether charges should be introduced, or adjusted in light of changes in the cost of the service. Fees and charges should remain reasonably relative to present day costs.

Reviews of this nature are best done at Program Forecast time annually. This is the time that all program elements should be reviewed and the next year's budget is being formulated.

7.2.1.5 Management Board Secretariat

Circumstances vary considerably between departments and situations. Whenever departments are in doubt on the pricing policy to adopt they are encouraged to and should seek assistance and advice from the Department of Finance, Budget Bureau.

7.2.1.6 Claiming Revenue

It is accepted government policy and practice, that departments will, whenever economically and administratively feasible, charge for all goods and services provided to the public and to other governments, unless there are specific exemptions under applicable legislation, regulations or other authorized arrangements.

Revenue is collected under many different conditions and circumstances, and as a consequence, the action to be taken to establish the government's claim to revenue will vary considerably from program to program.

7.2.1.6 (Continued)

Normally, government employees who are required to collect funds directly from the general public do so before providing the service or before issuing the permit, certificate or other regulatory document unless approval to grant credit has been authorized.

In other cases, as in the issuance of a driver's licence, failure to pay the required fee along with the application results in the service being withheld.

Where payments can be collected only after services have been provided, certain controls are essential to ensure:

- that a billing is issued promptly;
- that each billing is complete and covers all the services or goods supplied; and
- that the billing is computed at the correct rates.

The controls to ensure that these objectives are achieved must be built into the operational system of the service concerned. Paperwork generated through operational systems should be integrated with the financial system to ensure that all revenue is billed.

For example, in the case of the sale of goods from central stores, the system must ensure that every issue from stock is made solely on the authority of a prenumbered requisition or invoice; that every requisition or invoice is accounted for through serial number control by an appropriate billing section; and that a billing is raised at correct rates for every requisition from stock.

7.2.1.7 Methods of Claiming Revenue

Self-Assessment

In certain instances, members of the public are required to complete forms periodically which are used as a basis for collecting revenue. Usually the completed form identifies the number of units produced/sold or consumed during a given period. The applicable rate of fees/tax is then used to compute the amount of revenue which should be remitted.

Typically, a self-assessing procedure is used to collect taxes or royalties. Subsequently, the correctness of such returns is verified by auditors employed by the responsible departments or through independent verification of the items reported.

Exchange for Services and Goods

Revenue often can be claimed when the service or goods is provided and normally should be collected at that time. For example, revenue should be claimed and collected at the time:

- a document is registered,
- a licence or permit is issued,
- an application for a service is received.

7.2.1.7 (Continued)

Similarly, whenever any goods are sold to the public the revenue should be claimed and collected at the time of the sale.

When cash is not collected, a claim for revenue should be made and proper billing procedures are required.

Intangible Services

Some departments receive revenue from intangible services, for example; agreements or regulations. Another example is a penalty charge for failure to register a document within a specified period.

The above services are usually covered by agreements, regulations or legislation which specify when such revenue should be claimed.

7.2.1.8 Adequate Controls

Identification of Payors

There should usually be no difficulty identifying the individual or organization responsible for payment for services or goods rendered. Typically, it is the person at the counter or the person applying who pays any fees. When services or goods are delivered elsewhere, individuals or companies in receipt of such services or goods would normally be expected to pay.

Under certain circumstances a third party may be required to collect and remit revenue to the government. An example of this is:

- fees for fishing licences collected by issuing agencies and subsequently remitted to the Government of the Yukon.

In all cases a continuing record of sources of revenue and of potential payors must be kept.

Verifying Self-Assessments

When self-assessment is used to collect revenue, the department should ensure that information received is verified as to validity and correctness. Some of the methods used to verify self-assessment include:

- periodic audits on those individuals or companies being assessed,
- comparison and verification of opening and closing balances on reports from month to month,
- use of information supplied by other government agencies or regulatory bodies,
- checking clerical accuracy of reports,
- comparison of actual amount paid with amount calculated as due,
- investigation of substantial variations between periods,
- the check-off of returns received against a list of those required to file returns.

7.2.1.8 (Continued)

Controls over Services and Goods

If revenue is to be collected in exchange for services and sale of goods, proper controls should be maintained to ensure that all revenue is duly recorded/collected. It is difficult to formulate controls which apply in all instances, but the following should be considered.

In respect of permits and licences:

- prenumbered permits and licences,
- a record of permits and licences received from printer and sent to issuing offices,
- periodic returns from issuing offices accounting for continuity of numbers,
- reconciliation of permits and licences issued with revenue collected and remitted, and
- periodic inventory of permits and licences on hand.

In respect of other services:

- assignment of consecutive numbers of each service as performed - for example - document registration number,
- use of prenumbered work orders or other forms,
- on applicable work orders recording of costs incurred in performing a service.

In respect of the sale of goods:

- restricted access to goods,
- assignment of custodial responsibility,
- use of prenumbered requisitions,
- use of bin cards for each item held for sale on which all purchases and sale are recorded,
- periodic inventory counts and comparison with balances per bin cards, use of prenumbered sales invoices

7.2.2 Transfers from Other Governments

Transfers from other governments are made based on inter-governmental agreements. Departments must refer to the General Administration Policy 1.5 “Intergovernmental Relations Policy” whenever they contemplate entering into an inter-governmental agreement.

7.2.2.1 Grants from Canada

The federal government provides transfer payments to provincial/territorial governments for general operational purposes or for specific initiatives. If these transfer payments are made without any requirements for expenditure reporting or repayment obligation, these transfers are classified as grants from Canada. Examples of grants from Canada are the Formula Financing grant and other social and health related grants.

These transfers are accounted for as revenues when the authorization for transfer is supported by approved legislation and/or when authorization is exercised by signing a transfer payment agreement. If the agreement stipulates installment payments, e.g. monthly cash transfer, revenue is recorded when the cash is received with a possible adjustment at year-end based on the entitlement for the fiscal year.

7.2.2.2 Cost-share Agreements

Governments frequently enter into agreements to cost-share expenditures (as much as 100%) for delivering certain initiatives, programs or projects. For example, the federal government implements many of its objectives and initiatives through funding agreements with provincial/territorial governments.

Under a cost-share agreement, the funding is to be provided based on the reporting of actual expenditures and, furthermore, any excess funding is to be returned to the funding government. Under this type of arrangement, revenue is recorded when the recipient government incurs eligible expenditures and a corresponding recovery claim is processed by the administering department. If the funding government provides advances, the unspent portion of advances will be reported as a liability of the recipient government at year-end.

7.2.2.3 Flow-through Arrangements

Flow-through arrangements are based on agreements between two levels of governments where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds. In this type of arrangement, the transferring government has stipulated in the agreement the names of the beneficiaries as well as how much each beneficiary is entitled to receive.

A flow-through arrangement is accounted for as a trust (as defined in the *Financial Administration Act*), and not as revenue of the government.

7.2.2.4 Transfer of Tangible Capital Assets from Other Governments

Tangible capital assets transferred from other governments at no cost to the Yukon government must be accounted for in accordance with subsection 8.7 “Tangible Capital Assets” of this manual, particularly 8.7.3.2.d).

7.3 BILLING, CONTROLLING AND COLLECTING ACCOUNTS RECEIVABLE

7.3.1 General

If cash is collected when services or goods are provided or sold, accounts receivable do not arise. Funds determined by departments to be owing to the Government of the Yukon or by the Government of the Yukon on account of pre-payments are to be recorded in appropriate records and subjected to effective controls and collection activity.

An accounts receivable system should include:

- a billing for all services or goods supplied;
- an accounts receivable record showing the amounts due;
- an accounts receivable control account showing the total receivables; and,
- prompt and vigorous action to collect all claims.

Deposit accounts may be used rather than extension of credit, particularly when the charges for services or goods are relatively small and services are rendered on a continuing basis. Use of such accounts eliminates difficulties in collecting outstanding accounts or in controlling small amounts of cash. Procedures involve:

- obtaining a deposit from the individuals or companies involved;
- recording each deposit received in an account;
- recording charges and applying them against the deposit; and,
- providing a periodic statement to the customer showing credits and charges to each deposit account and the remaining balances.

7.3.2 Billing Procedures

Billing should be by means of pre-printed and pre-numbered invoices maintained under effective numerical control. The following information should be included on the billings:

- name and address of the issuing department,
- name and address of debtor involved,
- date of the billing, and date on which goods or services were supplied,
- a clear indication of the amount owing,
- an explanation of the billing, including relevant information and dates,

7.3.2 (Continued)

- a notation indicating terms of payment which normally should be payment due on receipt of billing,
- a notation specifying that payment should be drawn in favour of the Government of the Yukon,
- a notation specifying the revenue/recovery coding.
- Goods and Services Tax registration number.
- a statement showing how much GST is included in the invoice.

Since it is government policy to require payment of fees and charges at the commencement of the provision of a service to the maximum extent feasible, and billings are supplied only where collection before service is not practicable, deferred terms of payment should be rare.

Billings should be submitted promptly after the completion of services or delivery of goods. Where services are rendered on a continuing basis, or over a lengthy period of time, billings should be submitted on a continuing or progressive basis.

7.3.3 Accounting for Receivables

It is the responsibility of every department to ensure that every claim for non-tax revenue is entered promptly in the accounts until collection from the debtor in full. Such accounts are an integral component of the department's accounts and should never be regarded as memorandum accounts.

Whether the record of an account receivable is in a ledger maintained manually, mechanically or electronically, or is in an open file of unsettled billings, it is essential that it be kept by the name of the debtor in such a manner that his total indebtedness can be quickly determined on an aged basis.

It is also essential that accounting control be maintained over the total accounts receivable. This can be achieved by the operation of an accounts receivable control account in the department's principal accounting system. The total amount of billings and cash receipts should be entered in the control account on a daily, weekly or other appropriate basis. Adjusting entries, such as authorized deletions of accounts, should also be entered in the control account, and each month the total of all the outstanding balances in the individual accounts should be reconciled with the balance in the control account. Supervisory officers should pay particular attention to this reconciliation operation as it is a key control function in the revenue process.

The individual accounts receivable records must be maintained by persons other than those responsible for the handling of cash and

other payments, and from those responsible for the maintenance of the accounts receivable control accounts.

Normally, the detailed accounts receivable transactions are not recorded in the Territorial Accounts; however, at the end of each year, the Deputy Head of the Department of Finance reflects in the accounts the accounts receivable balances. Departmental accounts receivable should be reconciled with the general ledger accounts of the Department of Finance.

Although departments are required to maintain accounts receivable records in respect of their own program operations, the Department of Finance has overall responsibility for the accounts receivable for the Government as a whole.

7.3.4 Collection of Receivables

Departments must take prompt and vigorous action to collect every account receivable in respect of their program operations. Collection action will differ depending on the nature and the circumstances of the debts concerned.

Normal Action

In most instances, routine collection action should be taken on a progressive basis. Where warranted, monthly statements should be instituted, and where payment is slow they should be submitted on an aged basis to keep debtors fully advised as to both the extent and the condition of their indebtedness.

Supplementary Action

In addition to the use of statements, it is essential that supplementary collection action be taken by letter, telephone or personal contact.

This should be carried out by having progressively higher level officers in the department address their peers in the debtor organization. Where tangible services or goods are being supplied, senior operational personnel of the branch supplying the services or goods should be brought into the collection activity at a relatively early stage.

Where senior levels in the financial and operating branches become involved in direct contact with the debtor, their efforts should be directed towards establishing an understanding for continuing future prompt settlement, rather than just concentrating on the settlement of accounts outstanding at that time.

Monthly Review

All accounts receivable should be reviewed on an aged basis monthly by an officer higher than the person responsible for the maintenance of the accounts receivable, and quarterly by senior management. This review should be the basis of a summary report to progressively higher levels in the organization on the aging of all receivables, together with individual reports on more difficult and significant debtors.

Department of Finance Action

All departments are responsible for assisting the Department of Finance in implementing effective collection procedures for accounts receivable that are difficult to collect. Procedures should minimize the incidence of uncollectible accounts and maximize the resulting cash flows to the Government of the Yukon.

Interest

Interest is to be charged on past-due accounts, in accordance with the regulations pertaining to interest on overdue accounts unless the terms of the contract/agreement specify rates other than that which is provided for in the regulations

Liaison

Close liaison is imperative between departments and the Department of Finance to avoid duplication of effort in accounting for and collection of accounts receivables.

7.3.5 Bankrupt Debtors

Where a debt is owed by a person who, since the debt was incurred, has declared bankruptcy, the creditor department must file a proper claim with the trustee in bankruptcy and make every effort to recover the amount from the bankrupt estate in accordance with normal procedures.

If the bankruptcy proceedings have reached the stage where the trustee has been discharged, but no order of discharge has been granted to the bankrupt, the possibility of collection of the debt should be investigated through bankruptcy officials. If an order of discharge has been granted to both the trustee and the bankrupt, the department should follow normal write-off procedures for accounts receivable.

7.3.6 Missing Debtors

All reasonable action must be taken to locate a missing debtor, taking into account the amount of the obligation, and the administration and collection expenses that may be incurred.

There are a number of tracing sources available to departments to assist them in locating debtors. Department should utilize those that are most effective and economical.

7.3.7 Cost Sharing with Other Governments/Expenditure Recoveries

These particular accounts receivable differ from other similar accounts in that, in many instances, the amounts originally determined and claimed by the Territory may eventually be adjusted. Such adjustments can be either favourable or unfavourable for the Territory. Lengthy delays in repayments to the Territory sometimes occur due to the extended period necessary to reach agreement on amounts to be paid, or for the necessary audit to be carried out

Cost-sharing recovery claim must be prepared by the department concerned, in accordance with the terms and conditions of the applicable agreement. The Department of Finance will record these claims as a receivable and take the necessary collection and follow-up action as may be required.

7.3.8 Write-off of Uncollectable Debts

7.3.8.1 Policy

On May 9, 2007, Management Board revoked MBD # 5/84 “Write-off of Uncollectible Debts” and replaced it with subsection 7.3.8.1 of this manual (MBM#07-11-04). The policy outlined in subsection 7.3.8.1 is issued pursuant to Section 14 of the *Financial Administration Act*, and can be revised only with the approval of Management Board.

This policy is referred to as the Write-off Policy.

1. The following persons are authorized to write off all or part of a debt or obligation that is due or owing to the government up to the amounts specified.

Minister of Finance.....	\$2,000
Deputy Minister of Finance	\$1,000
Deputy Minister of Community Services	\$1,000(a)
Yukon Housing Corporation.....	\$1,000
Yukon Liquor Corporation.....	\$1,000
Yukon Development Corporation.....	\$1,000

(a) Relates to Property Tax Receivable only.

2. Every write-off of all or part of a debt or obligation that is due or owing to the government in excess of the limits listed above shall be approved by Management Board.
3. No debt or obligation that is due or owing to the government shall be written off within one year of the date of the debt or obligation.
4. The write-off of all or part of a debt or obligation to the government does not extinguish the right of the government to collect the debt or obligation written off.
5. This policy does not apply to a remission of any tax, royalty, fee, forfeiture, fine or other sum imposed or authorized to be imposed by any Act.
6. Every debt or obligation written off in accordance with this policy shall be reported in the Public Accounts for the fiscal year in which the account is written off.

7.3.8.2 Procedures

The following procedures are issued by the Deputy Minister of the Department of Finance pursuant to Section 7 of the *Financial Administration Act*. Any changes to these procedures, therefore, require approval of the Deputy Minister of the Department of Finance.

- **Debt Write-off**

No debt, or any portion thereof, shall be written off from the accounts of a department pursuant to the Write-off Policy unless an authorized officer listed under Policy # 1 under subsection 7.3.8.1 of this manual is satisfied that:

- (a) all reasonable collection action has been taken and all possible means of collection have been exhausted; and
- (b) there is no possibility now or no known potential in the foreseeable future of collection through offset; and
- (c) the appropriate Minister, or appropriate officer, is satisfied on reasonable grounds that:
 - (i) further administrative expense or other costs of collecting the debt are not justifiable in relation to the amount of the debt or the probability of collection, or
 - (ii) the debtor is not resident in Canada, there are no apparent means of collecting the debt and there is no evidence that the debtor has a family or business concerns in Canada that could lead the debtor to return to Canada, or
 - (iii) the debtor cannot be located, or
 - (iv) evidence of the debt is lost or destroyed and the debtor denies that a debt exists, or
 - (v) the debtor is a corporation and the corporation has ceased to exist and without assets or in bankruptcy, or

7.3.8.2 Procedures (Continued)

- (vi) the debtor is an undischarged bankrupt corporation and
 - (A) the corporation is without assets and the trustee has been discharged, or
 - (B) the trustee has confirmed in writing that the trustee does not foresee any further payments to the Yukon Government, or
- (vii) the debtor is an undischarged bankrupt individual and
 - (A) the trustee has been undischarged, or
 - (B) the trustee has confirmed in writing that the trustee does not foresee any further payments to the Yukon Government, or
- (viii) the debtor is deceased and the estate has been probated.

- **Forgiveness**

It is not a common practice for the Yukon Government to forgive a debt. Pursuant to section 15 of the *Financial Administration Act*, Cabinet may authorize the remission of any tax, royalty, fee, fine, penalty or other sum that is paid or payable to the government and that is imposed or authorized to be imposed by any Act, if Cabinet considers it in the public interest to do so.

A debt owed to the Government may be only forgiven or settled by approval of Cabinet. Every debt forgiven by Cabinet shall be reported in the Public Accounts for the fiscal year in which the forgiveness or settlement is made.

7.3.8.2 Procedures (Continued)

- **Required Information**

The following information must be provided when a request for write-off is submitted to Management Board for its consideration.

- 1) Name of debtor – name or names of the person(s), or the limited company
- 2) Current or last known address – where “last known address” is given, indicate the year in which the debtor was last residing at the address shown
- 3) Name of guarantor – if applicable
- 4) Type of security – a description of the security, e.g. promissory note, chattel mortgage, property mortgage
- 5) Other outstanding accounts owed to the Yukon Government by the debtor
- 6) Account detail:
 - i) original amount – principal amount actually disbursed
 - ii) date of disbursement
 - iii) interest rate
 - iv) total collected – principal and interest
 - v) outstanding principal
 - vi) outstanding interest
- 7) History of account:
 - i) reason for disbursement
 - ii) events that caused the default and the last recovery date
 - iii) summary of measures taken to recover the debt
 - iv) condition of the securities and the possibility of recovery
- 8) Rationale for write-off as a course of action
 - i) legal opinion should be provided as necessary
 - ii) significance/implications of writing-off the debt

7.4 CONTROL OF CASH RECEIPTS

General

Under the Financial Administration Act, all public money received must be deposited to the credit of the Yukon consolidated Revenue Fund in banks designated by the Commissioner (Cabinet). This Act also provides that every person who collects or receives public money:

- shall deposit such public money to the credit of the Yukon Consolidated Revenue Fund and,
- shall keep a record of receipts and deposits.

Departmental Responsibility for Procedures

Departments are responsible for determining the precise procedures to be followed and auxiliary records to be maintained to ensure that all receipts of public money are adequately accounted for. If different procedures and records are required for different programs, locations, or organizational units, the department should proceed accordingly. However, at all times and places, the system used should provide adequate records, control and be fully documented.

7.4.1 Cash Handling/Receipt of Cash

For purposes of this section “cash” means negotiable instruments and currency, including coin, paper money, cheques, money orders, bank drafts and other negotiable instruments.

Departments must ensure the existence of adequate internal controls over cash. To fulfill this requirement, departmental systems of control must conform to directives issued by the Department of Finance and incorporate to the extent possible the following guidelines:

- a) Cash receipts must be recorded immediately;
- b) A receipt must be issued when currency is received;
- c) Each day’s cash receipts must be deposited daily, except in situations where this practice is not economical;
- d) Each day’s cash receipts must be deposited intact. Disbursements may not be made directly from cash receipts;
- e) Personnel handling cash should not be responsible for the maintenance of accounting records;
- f) No one person should handle a transaction from beginning to end. If this is not possible at certain locations the collection of cash and disbursement of services or receipts must be closely

7.4.1 (Continued)

monitored at the central office.

- g) The function of receiving cash should be centralized as much as possible;
- h) Petty cash funds may not be mixed with cash receipts and must be operated in accordance with section of this manual.

Proper control over cash receipts requires an effective system of internal control to ensure that all receipts are properly recorded and deposited. Internal control also helps to ensure that information provided by the accounting records is accurate and properly reflects the operations of the department or branch. A system of internal control includes three main elements:

- segregation of duties,
- accounting controls,
- safekeeping devices.

The division of duties is important in discouraging fraudulent practices related to the receipt and deposit of public money.

If division of duties is impractical because of limited accounting staff, there should be greater management supervision.

It is essential that the accounting system used, captures the revenue as soon as it is collected. If currency is involved, the minimum precaution should be to record it initially by means of a mechanical cash register, pre-numbered receipt, or some other form of document which incorporates or can serve the purpose of providing a permanent record. If receipts are issued, official government receipts must be used.

All incoming mail should be opened, whenever possible, by at least two persons, in the presence of each other, who have no other cash recording function than that of recording, in a cash blotter, particulars of all mail cash received. The record provides a control of all mail cash received and its subsequent handling. The record, once prepared, should be separated from the actual cash and thereby provide an independent control over its subsequent handling. Incoming cheques, money orders and drafts should be promptly stamped "For Deposit Only to the Credit of the Yukon Consolidated Revenue Fund (Territorial Corporations, boards or agencies)".

Officers should always issue a receipt or other acknowledgment for any currency received, but when the paying instrument provides an adequate record for the payor, this need only be done on request.

Effective February 4, 2013, the Government of Canada is phasing out the penny from Canada's coinage system. While pennies are not available for purchase as of February 4, 2013, banks will accept pennies indefinitely. The Government of Yukon will also accept pennies indefinitely.

Where pennies are not available, cash transactions will need to be rounded to the nearest five-cent increment. Rounding on cash transactions is only used on the final amount payable after the calculation of GST. On the cash blotter, differences due to rounding will be totaled and coded to cash short/over. For each cash receipt transaction, the rounding difference will not be any more than 2 cents. Each receipt issued and the cash register entry must show the correct

7.4.1 (Continued)

revenue and GST charged, rather than the actual cash receipt amount.

7.4.2 Recording of Cash Receipts

The person who collects or receives public money should record it in such form and manner as to ensure proper control over receipts. Cash receipts take many forms and the documents which record them are accordingly varied. The more common forms are:

- official government prenumbered duplicate receipts,
- cash register tapes or cash register imprints on documents,
- cash blotters,
- copies of permits or licences having space for the recording of receipts.

Forms, such as duplicate receipts, cash register imprints or licences and permits, should be adequately controlled to preclude improper use. This can be accomplished by maintaining inventory records of pre-numbered forms, reconciling receipt forms to deposits, and ensuring that all forms have been accounted for. Access to cash register totals should be restricted to those persons independent of the cashier.

7.4.3 Custody of Cash Receipts

In some departments, the deposit of receipts on a daily basis is impractical because of the lack of proximity of banking facilities, or the amounts of funds received.

When receipts are received after banking hours and no night deposit service is available, departments should safeguard receipts overnight. The amount of receipts on hand will dictate the types of safekeeping facilities needed. Facilities can include:

- locked cash boxes stored in inconspicuous places for small amounts of cash receipts,
- small one-combination locked devices for larger amounts,
- large two-combination vaults protected by special alarm systems.

Custody or access to these devices should be limited to properly independent officers. Office vault combinations should be changed at least once a year and whenever staff changes or suspected cash shortages occur.

Although the general rule is to deposit all cash and cheques promptly this may not always be appropriate—for example, the issue of certain licences may be limited and applications may eventually exceed that limit. Cheques temporarily held should be deposited if not returned promptly to the payee.

7.4.4 Deposit of Cash Receipts

The method of depositing receipts will depend upon the location of the officer and the dollar volume of receipts.

Receipts may be deposited either:

- directly to the Department of Finance cashiers, or
- directly to a financial institution in an approved account.

The authority to open and close bank accounts in the name of the government flows from Section 12 of the Financial Administration Act. For practical purposes this authority has been delegated to the deputy head of finance through an Order in Council. In general, cashier facilities of the Department of Finance should be used by nearby departments with large volume of receipts.

When the deposit is to the Department of Finance, or to a daily transfer bank account, there are standard forms which are used to make the deposit. The forms are:

- Consolidated Revenue Account - Daily Cash Blotter to the Department of Finance,
- Trust Account - Daily Cash Blotter to the Department of Finance.

In all cases, two parts of each form should be sent to the Department of Finance with one remaining in the department.

Upon verification, the Department of Finance will return one copy of the form to the Department. This should be matched to the original kept on file in the department. Weekly follow-up of the file will ensure all deposits have been correctly processed. All deposit documents are to remain as part of the financial records of the department or branch.

Deposits should be completed under dual control.

- All cash amounts should be verified by actual count by two persons who should sign or initial the correctness of the cash figures on the deposit slip.
- The same two persons should place the deposit in the canvas bag and then it should be locked.
- Once locked, the bag is not to be re-opened unless in the presence of the two persons responsible for the deposit. If re-opened, the deposit must again be verified by the same two persons before the bag is locked again.

Deposits may be made using documents provided by the financial institution to which the deposit is being made. These documents should be properly completed and kept as part of the records of the department or branch.

7.4.4 (Continued)

Funds deposited in approved accounts in other financial institutions should be transferred periodically. In some instances a revenue transfer account may be established. To ensure that funds do not remain in banks over an extended period of time, transfers should be effected as soon as the balance in such account exceeds \$1,000, or otherwise at least monthly.

To ensure proper control over cash receipts, the deposit of funds should be made on time and intact. Deposits should include all receipts on hand at that point in time. The deposit of funds intact facilitates record keeping and reconciliation.

If it is administratively feasible, deposits should be made daily when \$100 or more is on hand, or on the day when \$100 is reached, and in any case, not less frequently than once each week when a lesser amount is involved.

If staff time, or the expense of complying with these policies is considered to be excessive, the Treasurer may extend the time within which public money is required to be deposited. Departments which receive such extensions should ensure that adequate safekeeping facilities are available.

Funds received which are to be held in trust—for example, funds of specific groups, or personal monies taken for safekeeping from persons admitted to hospitals or other institutions—should be deposited to the General Trust bank account of the Government of the Yukon. Appropriate coding may be obtained from the Department of finance for new trusts. Funds should be deposited with the cash blotters, with the Department of Finance cashiers.

If identifications of the nature of a cash receipt at the time of receipt is not possible, they should not be held pending identification. Departments should deposit the receipt promptly and should credit a suspense account as an interim measure. Items in the suspense account should be investigated and cleared on a current basis.

7.4.5 Reconciliation Procedures

The Department of Finance is responsible for reconciling Consolidated Revenue, General Trust, transfer and other regulated fund bank accounts.

If departments or branches maintain transfer accounts as a means of depositing funds, the Department of Finance should ensure that monthly reconciliations are prepared reviewed by management, and kept as part of the financial records. Reconciliations should be prepared by revenue officers who have no access to cash receipts and disbursements.

7.4.5 (Continued)

At the fiscal year end, reconciliations of all bank accounts must be completed by the 15th of the month following year end.

7.4.6 Cash Overages/Shortages

Overages should be deposited in the same manner as other cash pending disposition.

Cash shortages are not acceptable. However, should a cash shortage occur, it must be investigated immediately by the responsible supervisor and reported to the Deputy Minister concerned and to the Department of Finance, Director of Accounting Services.

If the shortage is in excess of \$100.00, a full written report must be submitted to the Deputy Head of the Department of Finance, who will determine what further action should be taken.

Problems of recurring cash shortages should be resolved wherever possible by re-allocation of duties among staff.

7.4.7 Credit/Debit Cards and E-commerce

7.4.7.0 Policy Statement

Authority

Policy sections 7.4.7.0 to 7.4.7.2 were approved by Management Board on July 9, 2013 (MBM#13-15-03) and may be revised only with the approval of Management Board.

Effective Date

July 9, 2013 Approval date is effective date.

Application

This policy applies to all departments as defined in the *Financial Administration Act* including Yukon Housing Corporation, Yukon Liquor Corporation, Yukon Lotteries and Yukon Development Corporation. This policy does not apply to Yukon Workers' Compensation Health and Safety Board.

Government credit cards issued to employees are not within the scope of this policy. See subsection 5.14 Government Credit/Charge Cards in Chapter 5 of this manual for government credit/charge card policies.

Objectives

The objectives of this policy are:

- to ensure credit and debit card revenue transactions of the Government are collected, transmitted and stored in a consistent, secure and controlled manner that complies with **merchant services industry standards** and the Government's **merchant services** contracts; and

7.4.7.0 (Continued)

- to standardize the procurement and administration of merchant services and the procurement of **e-commerce payment solutions** within the Government.

7.4.7.1 Definitions

Definitions applicable to this policy appear in 7.4.7.3 Guidelines. Definitions are amended as required by the Deputy Minister of Finance as part of the Guidelines and per *Financial Administration Act* Section 7. Defined terms appear in **bold** font when first used in this policy and the Guidelines.

7.4.7.2 Policy

1. This policy applies to all methods of credit card and debit card acceptance including but not limited to **point-of-sale devices**, e-commerce online web applications, and mobile payment applications.
2. Departments may accept, as a means of payment, credit cards and debit cards in accordance with the requirements of section 7.4.7 in its entirety. Failure to follow these requirements may result in the Deputy Minister of Finance revoking the department's ability to accept credit and debit card payments.
3. All merchant services contracts are procured and administered by the Department of Finance. Departments may accept only those credit and debit card types authorized by the Department of Finance.
4. It is the responsibility of departments to collect, transmit and store credit card and debit card data in a manner that complies with all applicable Government policies and guidelines.
Departments are responsible for costs incurred to obtain and maintain compliance with Government policies and guidelines. Departments are liable for any costs, including damages, resulting from non-compliance with these policies and guidelines. Costs will be charged against the department's appropriation.
5. The Deputy Minister of Finance is responsible for maintaining Guidelines that ensure the Government is compliant with merchant services industry standards.
6. Government does not permit:
 - a. electronic storage of credit card and debit card **cardholder data** and **sensitive authentication data**;
 - b. transmission or receipt of credit card and debit card cardholder data via electronic transmission methods including but not limited to email, text, and instant messaging;
 - c. manual imprinting of credit cards;
 - d. paper storage of sensitive authentication data and debit card cardholder data; or

7.4.7.2 (Continued)

- e. paper storage of credit card cardholder data except with the prior approval of the Deputy Minister of Finance.
Authorized point-of-sale devices and approved fax machines are excluded from above.
- 7. Departments may accept debit cards for all types of payments. Government does not offer **cash back** to customers paying by debit card.
- 8. Departments may accept credit cards as a method of payment with the following exceptions:
 - a. payments to the Yukon Housing Corporation with respect to mortgage payments, rental payments, land purchases and payments on agreements for sale;
 - b. the purchase of developed and undeveloped land through the Government of Yukon land disposition system;
 - c. the payment of taxes or other monies collected by a third party on behalf of the Government, e.g. fuel taxes and tobacco taxes collected by distributors; and
 - d. the payment of loans receivable including agreements for sale.

The purchase price and GST are considered one transaction and may not be split.
- 9. Government e-commerce payment solutions must comply with merchant services industry standards and be approved by the Deputy Minister of Finance before the solution is deployed. The department requesting the e-commerce payment solution is responsible for all cost related to ensuring that solution complies with merchant services industry standards when implemented for the Government.
- 10. Security awareness education is required for all employees involved, directly or indirectly, with the acceptance of credit and debit card payments. Security awareness education includes information and training on the secure handling of credit/debit cards and cardholder data.
- 11. The Deputy Minister of Finance may request that a department demonstrate its compliance with this policy including specific merchant services industry standards. The Deputy Minister may require that the department demonstrate compliance by completing an **attestation of compliance** or other similar document that is validated by an auditor/assessor that is recognized by the merchant services standard setting organization.
- 12. Departments must immediately notify the Deputy Minister of Finance of any non-compliance with this policy or the Guidelines. If non-compliance includes a privacy breach, then immediate notification shall also be made to the deputy minister of the affected department.
Notification shall be made in accordance with the Guidelines in 7.4.7.3 section 16.

7.4.7.3 Guidelines

Section 7.4.7.3 "Guidelines" is issued by the Deputy Minister of Finance under the authority of the *Financial Administration Act* Section 7. Any changes to this section require the approval of the Deputy Minister of Finance.

The purpose of these guidelines is to help departments interpret and comply with the Credit/Debit Card and E-commerce Policy (sections 7.4.7.0 to 7.4.7.2).

Definitions appear in the glossary at the end of this guideline.

Guidelines

1. It is a contractual obligation of the Government that:
 - a. all credit card transactions comply with the **Payment Card Industry Data Security Standard**; and
 - b. any agent or third-party service provider that the Government uses to store, process or transmit cardholder data must also comply with these standards and be registered with the applicable credit/debit card associations.

2. The credit card types authorized by the Department of Finance are Visa credit, MasterCard credit, and American Express. The following are examples of credit cards that are not accepted: Discover, JCB and Diners Club.

The debit card type authorized by the Department of Finance is Interac debit. Visa debit and MasterCard debit cards are not accepted.

3. Electronic storage of credit card and debit card cardholder data and sensitive authentication data is not permitted. This applies to all possible methods and formats of electronic storage, regardless of encryption or security precautions. Examples of prohibited electronic storage methods include, but are not limited to, documents, emails, spreadsheets, software programs, databases, text messages, flash drives, portable hard drives, personal computers, and mobile devices.

4. There is no need to retain credit card cardholder data in paper format after a transaction has been authorized and processed. Paper storage of credit card **truncated primary account numbers** is permitted.

7.4.7.3 (Continued)

5. The retention of credit card **primary account numbers** is highly restricted for security reasons. In exceptional circumstances there may be a compelling business need to keep credit card primary account numbers, expiry dates and/or cardholder name in paper format for future recurring transactions. Paper storage of credit card primary account numbers is permitted only with the prior written approval of the Deputy Minister of Finance.
 - a. Primary account numbers must be kept secure at all times and access to this data must be controlled. Security and access controls must meet the **PCI DSS** physical security requirements. For approved storage locations, security and access controls must be documented by the department storing the primary account numbers and submitted to the Deputy Minister of Finance.
6. Debit cards must be processed only as card-present transactions at Government point-of-sale devices. Paper storage of debit card cardholder data is not required and is prohibited.
7. **Card validation codes** must not be recorded or retained in any format.
8. Point-of-sale devices must be kept secure at all times and inspected on a regular basis to protect against tampering.
9. Credit card primary account numbers, expiry dates and cardholder names may be received from a cardholder by a Government fax machine if the Government fax machine is:
 - a. a stand-alone machine that is not connected to a computer network (e.g. not a fax/printer machine connected to YNet) and
 - b. located in a secure location with controlled access.

A fax/printer machine connected to the Government's computer network is not a stand-alone fax machine and must not be used.
10. Government employees are not permitted to send credit card primary account numbers from a Government fax machine except for receipts from a point-of-sale device that show a truncated primary account number. These receipts may be faxed to a cardholder at their request.
11. Government does not accept credit card payments by email, text or other similar electronic transmission methods because these methods are not secure. Credit card payments received by electronic transmission methods may not be processed. If the payment is processed by the Government, we are "accepting" the credit card data by electronic transmission and this is not permitted. Cardholder data contained in the electronic transmission must be securely deleted. Obtain secure deletion instructions from the Department of Highways and Public Works Information and Communications Technology division.

7.4.7.3 (Continued)

12. **PCI compliant** procurement is technically complex and high risk. When conducting a business needs analysis and prior to beginning any procurement process for an e-commerce payment solution, departments must obtain approval from the Director Investment and Debt Services (Department of Finance) and the Corporate Information Security Officer (Department of Highways and Public Works) regarding PCI requirements. E-commerce payment solutions must be PCI compliant for the specific payment processing that the Government plans to use. It is highly desirable to use a payment solution that has been assessed as complying with the **Payment Application Data Security Standard**.

Before deploying an e-commerce payment solution, the deploying department must obtain proof of current compliance prior to requesting the Deputy Minister of Finance's approval of the e-commerce payment solution. Proof of compliance must be in a recognized form such as an attestation of compliance or other validation provided by a **qualified security assessor**.

13. Security awareness education is required for employees that accept credit and debit card payments including front line employees and supervisors. Additionally all employees that handle or see credit and debit card data require security awareness education. This can include:
- a. branch managers,
 - b. departmental finance employees (reviewing cash blotters),
 - c. Department of Finance employees that process cash blotters, file cash blotters or reconcile deposits, and
 - d. information technology (IT) employees that are involved in planning, implementing, maintaining, or updating applications that interface with, or are themselves, credit card processing systems. For example, IT employees that work with the motor vehicles registration renewal system must have security awareness education. This is because the application interfaces with Beanstream, a credit card processing system.

Security awareness education materials are provided by the Department of Finance. Departments are responsible for coordinating and documenting the security awareness education completed by their employees.

14. When the Deputy Minister of Finance requests a department demonstrate its compliance as per Policy 7.4.7.2 section 11, he/she will determine:
- a. the type and scope of the compliance validation document such as a **self-assessment questionnaire**; and
 - b. the requirement for review of the compliance validation document by an auditor/assessor, such as a qualified security assessor, that is recognized by the merchant services standard setting organization.

7.4.7.3 (Continued)

The scope may vary, and could target just one e-commerce payment application or extend to credit and debit card payment processing at multiple locations. Costs for completing the compliance validation document, including any auditor/assessor costs, are the responsibility of the department completing the documentation.

15. A department accepting credit and debit cards shall follow the operating terms (**Credit and Debit Card Operating Terms**) issued by the Department of Finance that detail the operational department's responsibilities. The operating terms do not replace the requirements of this policy or the Guidelines but provide additional direction and information at an operational/processing level. The operating terms may be updated by the Department of Finance from time to time as standards and requirements change.

16. If a department is non-compliant as described in Policy 7.4.7.2 section 12 any public officer, as defined in the *Financial Administration Act*, shall provide notification as follows:
 - a. notification shall be made immediately to the Director Investment and Debt Services, Department of Finance, by email to pci-notices@gov.yk.ca; and
 - b. if non-compliance includes a privacy breach or a breach is suspected:
 - i. in addition to notifying the Director Investment and Debt Services (a) above and the deputy minister of the affected department, immediate notification shall also be made to the Chief Information Officer, Department of Highways and Public Works, by email to pci-ict@gov.yk.ca;
 - c. details of the non-compliance should include departmental contact names and contact details (include at least two contacts), date of suspected non-compliance and details of non-compliance including whether a paper or electronic privacy breach is suspected.

Glossary

These definitions apply to the entirety of section 7.4.7. Defined terms are listed in alphabetical order.

- a. "Attestation of compliance" is a declaration of compliance status with the Payment Card Industry Data Security Standard. The document is produced by the Payment Card Industry Security Standards Council and completed by a **merchant**.
- b. "Cardholder data" is at a minimum the primary account number. Cardholder data also consists of primary account number plus any of the following: cardholder name, expiry date and/or magnetic-stripe service code.
- c. "Card validation code" is a code uniquely associated with each individual physical card that ties the primary account number to the physical card. It can refer to either **magnetic-stripe data** or a printed security code. These codes, also referred to as card verification value (CVV), card validation code (CVC) or card identification number (CID), differ by credit card. Visa and MasterCard print a three-digit code in the signature panel area on the back of their cards. American Express cards have a four-digit unembossed number printed above the credit card number on the card face. The code is commonly used in card-not-present transactions to validate possession of the physical card by the cardholder.
- d. "Cash back" is a transaction where an amount is added to the total purchase price paid by debit card and the customer receives the added amount in cash.
- e. "Credit and Debit Card Operating Terms" are issued by the Department of Finance to govern the operational processes related to merchant services, credit and debit card processing and e-commerce payment solutions. The Credit and Debit Card Operating Terms work in conjunction with the Guidelines and the policy to provide operational direction and guidance to departments.
- f. "E-commerce payment solution", also known as a payment application, is any application that stores, processes, or transmits cardholder data as part of payment authorization or settlement. Payment applications supplied by service providers are included.
- g. "Magnetic-stripe data" is also known as track data. It is data encoded in a credit or debit card's magnetic stripe or chip that is used for authentication and/or authorization during a payment transaction.
- h. "Merchant" is any entity that accepts credit/debit cards for payment of goods and services.
- i. "Merchant services" are services that enable the Government to accept a payment by use of a customer's credit or debit card.
- j. "Merchant services industry standards" are standards relating to credit or debit card payments. Standards are set by both governments and industry associations. An example of a government standard is the Canadian Code of Practice for Consumer Protection in Electronic Commerce. An industry association is the Payment Card Industry Security Standards Council that sets various standards including the Payment Card Industry Data Security Standard and the Payment Application Data Security Standard.
- k. "PCI" is Payment Card Industry.

Glossary (Continued)

- l. "PCI compliant" means compliant with the standards set by the Payment Card Industry Security Standards Council including but not limited to the Payment Card Industry Data Security Standard and the Payment Application Data Security Standard.
- m. "PCI Security Standards Council" is an open global forum, launched in 2006, that is responsible for the development, management, education, and awareness of the PCI Security Standards, including the Data Security Standard, Payment Application Data Security Standard, and PIN Transaction Security requirements (PIN is personal identification number).
- n. "Payment Application Data Security Standard" (PA DSS) is set by the **PCI Security Standards Council**. A payment application is any application that stores, processes, or transmits **payment card** cardholder data as part of payment authorization or settlement.
- o. "Payment Card Industry Data Security Standard" (PCI DSS) is set by the PCI Security Standards Council. It is an industry standard that sets technical and compliance standards for protecting payment card cardholder data. PCI DSS is supported by Visa, MasterCard, Discover, JCB International and American Express and applies to merchants that store, process, or transmit payment card cardholder data.
- p. "Payment card" includes a credit or debit card that shows a logo of Visa, MasterCard, American Express, Discover or JCB International (these organizations are the founding members of the PCI Security Standards Council).
- q. "Point-of-sale device" is a payment terminal that accepts credit and/or debit cards. Devices often include optional attached PIN pads.
- r. "Primary account number" (PAN) is the unique number appearing on a credit or debit card that identifies the issuer and the particular cardholder account. Primary account numbers are 15 or 16 digits. See also "truncated primary account number".
- s. "Qualified Security Assessor" (QSA) is an employee of a company qualified by the PCI Security Standards Council to conduct PCI DSS on-site assessments. Both the employee and the company must be certified by the PCI Security Standards Council to validate an entity's adherence to the PCI DSS.
- t. "Self-Assessment Questionnaire" (SAQ) is a tool used by a merchant to validate its own compliance with the PCI DSS. For greater quality control and verification, a Qualified Security Assessor can assist with the validation and completion of a Self-Assessment Questionnaire.
- u. "Sensitive authentication data" is security-related information used to authenticate cardholders and/or authorize payment card transactions. It includes card validation codes, full magnetic-stripe data and personal identification numbers (PINs).
- v. "Truncated primary account number" is a primary account number that is truncated to show a maximum of first 6 digits and last 4 digits of a credit card's PAN. For security reasons, the preferred disclosure is the last 4 digits only.

7.5 REPORTING OF REVENUE

General

The objective of the financial reporting process for revenue, like expenditure, is to summarize revenue transactions to reflect the revenue activities of government.

Reports are based on:

- modified cash basis of accounting for taxes and accrual basis of accounting for other revenues and recoveries,
- centralized collection and subsequent reporting.

7.5.1 Content of Reports

Reports should contain sufficient information for central agency and departmental decision-making purposes and for presentation in the Territorial Accounts. To ensure that revenues are reported on a uniform basis within government, there is a standard coding system, described in the chapter “Classification and Coding of Financial Information”.

7.5.2 Use of Reports

Departmental

The deputy minister of each department should be aware of all sources of revenue within his responsibility and receive financial information showing how actual revenue compares with that forecast. These reports should be sufficiently descriptive and timely for use in decision making.

Department of Finance

The Department of Finance requires revenue reports for the preparation of annual Public Accounts. The Department of Finance also uses revenue data for each forecasting, cash management and fiscal planning. Part of the annual estimates by the Department of Finance are based on revenue forecast information received from the various collection areas within government.

7.5.3 Reconciliation of Revenue

The Department of Finance uses the cash blotters to record all revenues received. These reports should be reconciled to the records retained by the department and these reconciliations should be kept. Reconciliations should be prepared by revenue officers having no access to cash receipts or accounting records.

7.5.4 Cost-Sharing Programs

Some departments are involved in cost-sharing programs with other levels of government, principally the Federal Government.

The policy of the Government of the Yukon is that gross costs should be used in resource allocation between programs regardless of the proportion of the cost that can be recovered from federal or other sources.

Accordingly, gross costs are reflected in departmental reports and costs recovered from the Federal Government and other sources are shown in the Consolidated Revenue Fund as revenue.

7.6 REFUNDS

7.6.0 General

Authority

On June 18, 2015, Management Board revoked MBD #4/84 “Refunds Directive” and replaced it with subsection 7.6 of this manual (MBM #15-16-03). The directives outlined in subsection 7.6 are issued pursuant to sections 13(2) and 18(2) of the *Financial Administration Act*, and can be revised only with the approval of the Management Board.

Subsection 7.6 of this manual may be referred to as the Refunds Directive.

Effective Date

June 18, 2015

Application

This Directive applies to all “departments” as defined in section 1(1) of the *Financial Administration Act*.

Objective

The objective of this Directive is to ensure that all refunds from the Consolidated Revenue Fund are authorized and accounted for with good internal control and consistent process across departments.

7.6.1 Definitions

- a) “public officer” means a public officer within the meaning of the *Financial Administration Act*;
- b) “refund” means a payment of money by a department where the money has been received or collected under a mistake as to the entitlement of the department to receive or collect it, or as a deposit to ensure the doing of anything where the purpose of the deposit has been fulfilled, and includes bail, a deposit for the performance of a contract, security for the sale, loan, lease or other use of an asset, and the provision of services by the department.

7.6.2 Approval Authority

1. Subject to the provisions of this Directive, a Deputy Minister is authorized to make refunds.
2. A Deputy Minister may delegate the authority to make refunds in writing to a public officer or to a person who is authorized to receive or collect money on behalf of the department.
3. A public officer or a person to whom a Deputy Minister has delegated authority to make refunds shall not redelegate such authority.

7.6.3 Directives

1. A refund shall not exceed the amount of money originally received or collected for the purpose for which it was collected or received.
2. A receipt shall be obtained from the recipient of every refund in cash.
3. No interest shall be paid on a refund unless specifically provided for in an Act, in a Directive of the Management Board, or in the contract or agreement pursuant to which the refund is made.