## Accounts Receivable Procedure Template

**1. Purpose**

To ensure timely and accurate management of accounts receivable, promoting financial stability and transparency while supporting operational efficiency.

**2. Scope**

This procedure applies to all accounts receivable activities, including invoicing, payment collection, tracking, and reporting for [ORGANIZATION NAME].

**3. Definitions**

**Accounts Receivable**: Money owed to the organization for goods or services provided or contributions pledged.

**Invoice**: A document issued to a customer or donor outlining payment due for services, goods, or pledges.

**Overdue Account**: Any invoice that remains unpaid beyond the payment terms specified on the invoice.

**4. Procedure**

**4.1 Issuing Invoices**

Generate invoices within [INSERT TIME FRAME, E.G., 48 HOURS] of service delivery, product sale, or donor commitment.

Ensure each invoice includes the following:

Organization name, logo, and contact details.

Invoice number and date of issuance.

Itemized description of services or goods provided.

Payment terms, including due date and accepted payment methods.

Total amount due.

Record all issued invoices in the organization’s accounting system.

Distribute invoices via email, postal mail, or an approved billing platform.

**4.2 Monitoring Payment Status**

Track payment status using the organization’s accounting software or receivables ledger.

Review outstanding accounts weekly to identify overdue invoices.

**4.3 Payment Follow-Up**

Send a payment reminder [INSERT TIME FRAME, E.G., 7 DAYS] before the due date.

If payment is overdue:

Send a polite overdue notice [INSERT TIME FRAME, E.G., 7 DAYS] after the due date.

Issue a second overdue notice [INSERT TIME FRAME, E.G., 14 DAYS] if no response is received.

Call the customer/donor directly to follow up on the payment status if payment remains unresolved [INSERT TIME FRAME, E.G., 30 DAYS].

**4.4 Escalation and Final Notice**

After [INSERT TIME FRAME, E.G., 60 DAYS] of nonpayment, send a final notice stating the account will be escalated to legal action or a collection agency if payment is not received within [INSERT TIME FRAME, E.G., 14 DAYS].

Submit unresolved accounts to the finance committee or authorized personnel for approval before initiating escalation measures.

**4.5 Reporting and Reconciliation**

Reconcile accounts receivable balances monthly to ensure accuracy.

Prepare a monthly accounts receivable aging report for review by the finance team and executive leadership.

Include accounts receivable metrics in quarterly financial updates to the board.

**4.6 Write-Offs**

If an account is deemed uncollectible after all escalation efforts, request board or finance committee approval to write off the debt.

Document the write-off and adjust the accounts receivable ledger accordingly.

**5. Roles and Responsibilities**

**Finance Team**:

Generate and track invoices.

Monitor payment status and send reminders.

Prepare aging reports and ensure accurate reconciliation.

**Department Heads**: Ensure accurate reporting of goods/services provided or donor commitments.

**Executive Leadership**: Approve write-offs and oversee escalation processes.

**Board of Directors or Finance Committee**: Approve significant write-offs or changes to accounts receivable policies.

**6. Review and Revision**

This procedure will be reviewed annually to ensure it aligns with organizational needs and best practices.