Accounts Receivable Aging Review Policy

1.0 Objective & Intent

The objective of this policy is to establish a structured, recurring review of all outstanding accounts receivable (AR) to accelerate cash inflows, reduce days sales outstanding (DSO), and systematically identify and escalate delinquent accounts before they become uncollectible. This policy directly mitigates cash flow volatility—a critical risk for a capital-intensive cabinet and millwork manufacturer—by enforcing timely collection actions and ensuring adequate allowance for doubtful accounts. It also supports accurate financial reporting by aligning AR reserves with actual aging patterns, thereby protecting the company's credit profile and working capital position.

2.0 Operational Scope

This policy applies to all customer invoices, credit memos, and unapplied cash entries recorded in the company's ERP system, regardless of project type (custom cabinetry, millwork, or wholesale supply). It covers all active and dormant customer accounts, including those with zero balances but recent payment history. The policy is enforced by the Accounting Department, with mandatory participation from the Credit Manager, Controller, and Sales Account Managers for accounts exceeding 60 days past due. It does not apply to intercompany transactions or employee advances.

3.0 Compliance & Data Security

All AR aging data must be treated as confidential financial information. Access to aging reports is restricted to authorized finance personnel via role-based permissions in the ERP system. Any external sharing of customer payment history or aging details requires written approval from the Controller and must comply with PIPEDA requirements for disclosure of personal information. All AR review documentation, including collection notes and escalation records, must be retained for a minimum of seven years in a secure, access-controlled digital repository. Internal controls require that no single employee has the ability to both adjust an invoice and write off a receivable without secondary approval. Monthly aging reviews must be documented with a sign-off sheet and filed in the corporate compliance binder.

4.0 Required Software & Administrative Tools

- Sage 300 (or equivalent ERP) – Accounts Receivable module for aging reports and invoice management
- Microsoft Excel (or Google Sheets) – For pivot table analysis and aging bucket summaries
- DocuSign (or equivalent) – For electronic collection correspondence and payment plan agreements
- CRM (e.g., Salesforce or HubSpot) – For logging customer contact history and credit notes
- SharePoint (or equivalent) – For secure storage of AR review minutes and supporting documents

5.0 Step-by-Step Administrative Workflow

1. On the first business day of each month, the Accounts Receivable Clerk generates a detailed aging report from the ERP system, segmented into 0–30, 31–60, 61–90, and 90+ day buckets, sorted by customer and invoice date.

2. The Clerk reviews all unapplied cash and credit memos, reconciling them against open invoices to ensure the aging report reflects true outstanding balances. Any discrepancies must be corrected within 24 hours.
3. The Controller reviews the report and identifies all accounts with balances exceeding 60 days past due. For accounts over $5,000, a preliminary credit hold is placed on the customer's account pending further review.
4. The Credit Manager contacts each customer with balances in the 61–90 day bucket via phone and email within two business days of the report generation, requesting payment or a formal payment plan. All contact attempts are logged in the CRM.
5. For accounts exceeding 90 days past due, the Controller escalates to the Sales Account Manager to discuss potential disputes or project issues. If no resolution is reached within five business days, a formal demand letter is sent via registered mail.
6. The Controller prepares a monthly allowance for doubtful accounts calculation using the aging method (e.g., 10% for 61–90 days, 50% for 90+ days) and presents it to the CFO for approval by the 10th business day of the month.
7. Any write-off of an account over $2,000 requires dual approval from the Controller and CFO. Write-offs under $2,000 may be approved by the Controller alone but must be documented with a reason code.
8. The Accounts Receivable Clerk updates the aging report with all collection actions taken and sends a summary to the Controller by the 15th business day. The final signed AR review sheet is filed in SharePoint under the monthly compliance folder.
9. The Controller presents a one-page AR aging summary (including DSO, aging bucket percentages, and top 5 delinquent accounts) at the monthly operations meeting to ensure cross-departmental awareness.
10. All payment plans agreed upon during the review must be documented in the ERP with scheduled payment dates. The Clerk monitors compliance weekly and flags any missed payments to the Controller within 24 hours.