**Accounts Receivable Steps**

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| **Accounts Receivable/Revenue Recognition Procedures** | Prepared by & Date | Reviewed by & Date |
| 1. Setup new jobs on the Job and Deposit spreadsheet provided in excel (Excel Sheet #1). Sheet is in Dropbox OR Google Sheets |  |  |
| 1. Create a summary invoice in Bill.com OR QuickBooks.    1. Use the gross billings amount    2. Retainage should be a negative adjustment to the invoice to arrive at the “net collectable” amount (Retainage Item should be “Other Current Asset”. |  |  |
| 1. Run a profit and loss report for the month by Job;    1. the retainage should be on the balance sheet as a positive (debit number)    2. Review and inquire about jobs with revenue and no costs OR costs and no revenue    3. Look for closed jobs that have continued to incur costs    4. Look for jobs with excessive losses or profits (>30%) |  |  |
| 1. Review the AR aging schedule:    1. Current AR should reflect the current months billings    2. Retainage AR should reflect the retainage for the month    3. Please review the AR aging categories that exceed 90 days and make sure that the AR is collectible, that the AR has not been already paid or misapplied, etc.    4. Clean up incorrectly applied AR payments    5. Review an aging of retainage and periodically compare with client’s expectations    6. Accrue a reserve for bad debts based on management’s policies and procedures (balance sheet approach or sales approach)    7. Write-off uncollectible AR |  |  |
| 1. Review and apply monthly deposit    1. Review monthly deposit totals and make sure the spreadsheet contains all deposits (Completeness)    2. Apply payments received against open AR    3. If no AR exist, inquire about a potentially missing invoice and whether the invoice should be created. |  |  |
| 1. Email AR Aging report to the client so they can review the schedule. See canned response. Attach “AR Aging Excel Sheet”    1. Client should assist in: Customers missing from AR Schedule (who owe the company but are not on AR)    2. Customers who ARE in the AR Schedule BUT have paid their balances    3. Customers with 90+ aged receivables    4. Overall Accuracy of the receivables, i.e. amounts, dates, names, etc. |  |  |

***Accounts Receivable Canned Response:***

Dear <Client>,

Please review the attached Accounts Receivable List as of <MM/DD/YY>.

You should look at a few very specific items:

* ***Missing customers who owe the Company but are not on the report.*** 
  + Keep in mind if the customer owes money AFTER the report date, they would not be on the report. This is normal).
* ***Customers who are on the aging report, but have paid as of the report date***.
  + This indicates the payments were not applied to the receivable and need to be applied.
  + However, please note that if the customer paid AFTER the report date, the payment would show owed in a prior period.
* ***Customers who owe money greater than 90 days***.
  + Has the customer paid but the payment was not correctly applied to the receivable?
  + If the customer has not paid, is the receivable still collectible?
* ***Review ALL receivables to ensure accuracy in which customer was invoiced, making sure amounts and dates are correct.***

Please reach out to us if you see any discrepancies.

We have attached a copy of the A/R aging report in excel. Discrepancies are highlighted for your review (if any).