

What is accounts receivable?

Accounts receivable (AR) is part of a financial management system that tracks a business's legally enforceable claims to pay for goods and services that customers or clients have ordered but not paid for. AR is referred to as "grants receivable" when the amount due to an entity is related to a grant agreement. AR is considered an asset on the entity's statement of net position.

What are effective AR practices?

Effective AR practices include:

- ▶ Booking receivables into an accounting system only after proper documentation, such as an invoice, has been prepared or a grant agreement has been signed.
- ▶ Using a subsidiary ledger (or accounting module) to track receivables, entering into the AR ledger when bills or invoices are sent to customers or clients. Then, generate monthly statements from this source documentation for each customer or client.
- ▶ Using accounting software for invoicing and statements. Accounting software supports consistent and accurate documents that can be easily reproduced and analyzed in monitoring reports. For grants receivable, an entity may invoice the funder or complete a drawdown through an online platform such as the [Automated Standard Application for Payments \(ASAP\)](#) at the U.S. Treasury.

AR is monitored for account aging. This means printing reports with lists of unpaid invoices by date ranges in 30-day segments to learn which accounts are overdue for payment. An invoice 30–60 or 60–90 days old may indicate a mistake or problem. Effective AR practices include timely resolving of problems/issues and settling accounts.

How is AR reflected in an accounting system?

Because AR is an asset account in financial statements, correctly recording and managing AR is vital. There are two common accounting methods that organizations use to record and manage AR: cash-basis and accrual-basis. With cash-basis accounting, grants become revenue when payment is received, and AR is tracked separately from revenue. With accrual-basis accounting, a grant becomes revenue when the award is made.



Resources

- ▶ U.S. Treasury: [Automated Standard Application for Payments](#)
- ▶ [DOJ Grants Financial Guide](#)

The **Office for Victims of Crime Financial Management Resource Center (OVC FMRC)** offers culturally humble, trauma-informed training and technical assistance to support OVC human trafficking and discretionary grantees. OVC FMRC services focus on enhancing financial management capacity.

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