Date: [Insert Date]

To: [Recipient Name/Management Team]
From: [Internal Audit Department/Auditor Name]
Subject: Audit Observations: Accounts Receivable Aging Practices

Dear [Recipient Name],

We have completed our audit of the Accounts Receivable (AR) aging practices for the period of [Insert Period]. The objective of this review was to evaluate the accuracy, timeliness, and management of outstanding receivables.

Observation 1: Accuracy of Aging Categories
During our testing, it was noted that [describe specific finding, e.g., certain invoices were incorrectly categorized in the 60-90 day bracket due to manual entry errors]. This may result in an inaccurate representation of the company's liquidity.

Observation 2: Delinquent Account Follow-up
We observed that follow-up actions for accounts past [Number] days are not consistently documented. Standard operating procedures requiring weekly contact logs are currently [describe status, e.g., not being followed].

Observation 3: Allowance for Doubtful Accounts
The methodology for calculating the allowance for doubtful accounts does not currently account for [describe missing factor, e.g., specific high-risk industry trends], potentially leading to an understatement of bad debt reserves.

Recommendations:

- Implement automated aging reports within the accounting system to eliminate manual categorization errors.
- Establish a formal communication log to track collection efforts for all accounts over 30 days past due.
- Review and update the bad debt reserve policy quarterly to reflect current market conditions.

Please provide a formal management response and an action plan to address these observations by [Insert Date].

Best regards,

[Signature]
[Name of Lead Auditor]
[Title]