The Late Payment Problem That Was Hurting Cash Flow

Late payments can stall growth. Clear terms and consistent follow-up improved collections and cash flow.

$112,000	45-75 days	25 days
in overdue invoices	customers were paying late	faster payment after the fix

Accounts Receivable · Collections · Cash Flow · Customer Management

The situation

A $5 million professional services firm had good clients and steady work, but its unpaid invoices kept growing. Cash was always tight even in strong months.

The challenge

A review of receivables showed the problem started inside the firm:

- **Unclear terms** — engagement letters and invoices didn't state due dates or late-payment terms.
- **Inconsistent invoices** — some were missing details clients needed to approve payment.
- **No follow-up process** — reminders went out only when someone had time.
- **No aging report** — no one tracked who owed what or for how long.

Why it mattered

More than $112,000 was overdue at any time. The firm delayed hiring, paid some of its own bills late and spent partner time chasing payments instead of serving clients.

Practices that get you paid on time

Practice	What it prevents
Clear terms in every engagement letter and invoice	Disputes over when payment is due
Invoices sent promptly with complete details	Approval delays on the client side
Reminders before and after the due date	Invoices that are simply forgotten
Weekly aging review	Small balances becoming large ones
Online and automatic payment options	Delays caused by paper checks

What they did

- Standardized invoices and added payment terms to every engagement letter.
- Set up automatic reminders a few days before and after each due date.
- Reviewed an aging report every week and assigned follow-up owners.
- Offered online and automatic payment options.
- Agreed on when to pause work for accounts far past due.

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The outcome

Within six months, overdue balances dropped by more than $112,000 and clients paid an average of 25 days faster. Cash flow became predictable, and partners spend far less time on collections.

Self-check: could this happen to you?

- ☐ Do clients know exactly when payment is due?
- ☐ Are your invoices complete and easy to approve?
- ☐ Do you follow up consistently, before and after due dates?
- ☐ Do you review your aging report every week?
- ☐ How much cash is sitting in overdue invoices today?

Want to talk through what this means for you?

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