



## Chapter 08: Administrative and Financial

# 02. Payment Processing and Collections

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Process payments and manage collections to maintain healthy cash flow and minimize outstanding receivables.

## Purpose

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Establish efficient payment processing and collections procedures that ensure timely payment collection, minimize bad debt, and maintain positive client relationships while supporting operational cash flow requirements.

## Roles and Responsibilities

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### Finance Leader:

- Review and approve billing policies and procedures
- Oversee invoice accuracy and accounts receivable
- Monitor financial performance and budgets
- Ensure compliance with financial regulations
- Coordinate with external accounting services

### Client Service Representative:

- Manage client communications and service requests
- Process documentation and billing
- Obtain client authorizations and approvals
- Coordinate scheduling and aircraft availability
- Maintain professional client relationships

### Business Leader:

- Approve marketing budget and resource allocation
- Review financial projections and business development strategies
- Provide strategic direction for market expansion
- Monitor competitive positioning and pricing strategies
- Oversee vendor contracts and supplier relationships

### Operations Leader:



- Oversee daily operations and coordinate between departments
- Authorize emergency response procedures and resource allocation
- Monitor safety compliance and operational excellence
- Coordinate scheduling across departments for operational coverage
- Review billing disputes and approve service adjustments
- Ensure regulatory compliance across all operations

## Process Steps

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### Payment Processing Phase

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- **Accept payment methods** - Process cash, check, credit card, and ACH payments using secure systems
- **Verify payment accuracy** - Confirm payment amount matches invoice total and account balance
- **Apply payments to accounts** - Post payments to correct client accounts and invoice numbers
- **Generate payment receipts** - Provide immediate confirmation of payment with transaction details

### Account Monitoring Phase

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- **Review aging reports** - Monitor accounts receivable aging on weekly basis to identify collection opportunities
- **Identify delinquent accounts** - Flag accounts past due based on established payment terms
- **Assess collection priority** - Evaluate account value and collection probability to prioritize efforts
- **Document collection activities** - Record all collection communications and actions taken

### Collection Procedures Phase

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- **Send payment reminders** - Issue friendly payment reminders at 30 days past due
- **Make collection calls** - Contact clients at 45 days past due to discuss payment arrangements
- **Negotiate payment plans** - Work with clients to establish realistic payment schedules when needed
- **Implement service holds** - Restrict services for accounts 60+ days past due per policy

### Advanced Collections Phase

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- **Send final demand notices** - Issue formal collection letters at 90 days past due
- **Coordinate with legal counsel** - Engage attorney for accounts requiring legal action
- **Process collection agency referrals** - Transfer uncollectable accounts to external agencies

- **Manage account write-offs** - Process bad debt write-offs per established authorization limits

## Process Mapping

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```mermaid

flowchart TD

A[Invoice Due] --> B[Monitor Payment]

B --> C{Payment Received?}

C -->|Yes| D[Process Payment]

C -->|No| E[Check Days Past Due]

E --> F{30 Days?}

F -->|Yes| G[Send Reminder]

F -->|No| H{45 Days?}

G --> I[Wait 15 Days]

H -->|Yes| J[Collection Call]

H -->|No| K{60 Days?}

J --> L[Payment Plan?]

K -->|Yes| M[Service Hold]

L -->|Yes| N[Monitor Plan]

L -->|No| O{90 Days?}

O -->|Yes| P[Final Demand]

P --> Q[Legal/Agency Action]

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## Tools and Resources

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- **Payment Processing System:** Credit card and ACH processing capabilities
- **Accounting Software:** Accounts receivable management and aging reports
- **Collection Letters:** Standardized templates for payment reminders and demands
- **Client Communication Log:** Record of all collection activities and responses
- **Payment Plan Templates:** Structured agreements for extended payment arrangements

- **Legal Counsel Contact:** Attorney specializing in commercial collections

## Success Metrics

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- **Completion Time:** Payment processing completed within 2 hours of receipt.

**Quality Standard:** 95% of payments processed accurately without requiring corrections.

**Safety Standard:** No service disruptions due to collection activities that compromise flight safety.

**Client Satisfaction:** 90% of clients rate payment process as convenient and professional.

## Common Issues and Solutions

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- **Issue:** Client disputes invoice accuracy affecting payment timing
- **Solution:** Provide detailed service documentation and work with client to resolve discrepancies. Adjust billing if error confirmed and process corrected invoice promptly.

**Issue:** Credit card processing failures causing payment delays


**Solution:** Maintain backup payment processors and alternative payment methods. Contact client immediately to arrange alternative payment when processing fails.

**Issue:** Client financial difficulties preventing timely payment

**Solution:** Work with client to establish realistic payment plan while maintaining service relationship. Consider requiring deposits for future services.

## Safety Considerations

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 **WARNING:** Never deny emergency services due to account status - safety always takes priority over collections

 **CAUTION:** Coordinate service holds with operations to ensure no safety-critical services are affected

 **NOTE:** Maintain professional communication during collection activities to preserve client relationships

 **BEST PRACTICE:** Document all collection activities thoroughly to support legal action if necessary

## Regulatory References

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- **Fair Debt Collection Practices Act (FDCPA)** - Federal collection regulations
- **State Commercial Collection Laws** - Applicable state regulations for business collections

- **14 CFR Part 91** - General Operating Rules (emergency service requirements)
- **Company Credit and Collection Policy** - Internal procedures and authorization limits