

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**SUBJECT: **EXTENSION OF CREDIT POLICY**

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**PURPOSE:** To establish general policy and guidelines for the extension of credit and collection of accounts receivable.

**EFFECTIVE DATE:** **December 7, 2001**

**HISTORICAL:** September 15, 1986; September 29, 1995

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**EXTENSION OF CREDIT POLICY****I. BACKGROUND AND PURPOSE**

- A.** The Board of Directors of the Cal Poly Corporation ("CPC") recognizes that the ability to extend credit is one of the important features of the CPC's relationship with California Polytechnic State University. The Board also realizes that good management practices require that the extension of credit be adequately controlled and that collection procedures be established to insure that credit losses are minimized.

The Executive Director is, therefore, authorized to administer the credit activities of the CPC within the general policy criteria set forth in Section II.

**II. POLICY**

- A.** The extension of credit is the responsibility of the Executive Director or in his absence, the Director of Financial Services. Authorization may be delegated to a departmental manager or faculty member conducting CPC activities, to grant credit if the following conditions are met:
1. Cash payment at the time of the transaction is not reasonable or practical.
  2. The credit transaction is a normal part of the department's business activities.
  3. In the case of student charges, the services or materials charged must be necessary for the health and welfare of the student.
  4. There must be a reasonable expectation that payment will be made within 30 days after the due date. Except for installment programs, the due date will be the same as the transaction date.
  5. Supporting information for formal billing must be submitted to the CPC Business Office as soon as possible after the credit is extended.

6. The department receiving authorization to extend credit assumes responsibility for any non-payment of the account.

**B.** It is expected that the normal extension of credit will be limited to the individuals and activities listed below. The Executive Director may approve other credit activities if, in his judgment, the credit extension is necessary for the good of the CPC.

1. Students

Allowable student charges are limited to the purchase of meal tickets on the installment plan.

2. University Organizations

The CPC should cooperate in the extension of credit to all organizations within the University community. Purchase Orders, however, are required on all charge sales to the Associated Students, Inc., or any of its recognized student organizations. For charges to any State activity of the University, the Purchasing Office should be contacted if a purchase order is not available at the time of the transaction.

3. Non-University Organizations and Individuals

Credit transactions with off-campus organizations or individuals will normally occur in the following circumstances. Those extending credit for products are cautioned to exercise care in all credit sales.

- (a) Charges arising out of the conduct of a workshop or conference.
- (b) Charges arising out of the sale of Visual Education Productions materials.
- (c) Charges arising out of the sale of products, livestock, plants, or materials.
- (d) Charges occurring in the conduct of grant and contract activities.
- (e) Charges arising from El Corral sales activity as a publisher and wholesale sales relative to supplying other college bookstores with textbooks, computer equipment, or other materials.

### **III. PROCESS**

#### **A. Credit Checks**

When a Non-University Organization or Individual requests an extension of commercial credit from the CPC, a credit application, credit references and a credit report will be required. All applicable charges associated with gathering this information is the responsibility of the applicant.

**B. Collection Practices**

1. It will be the responsibility of the Director of Financial Services to ensure that the collection and follow-up practices established by the CPC Business Office are consistent with sound credit management standards and this policy. These collection procedures must contain the following features:
  - (a) A routine sequence of statements and requests for payment that is used for all accounts of a similar nature.
  - (b) A provision for submission of accounts to Small Claims Court and/or a collection agency if the routine procedure fails to secure payment and the amount is above a minimum established by the Executive Director.
  - (c) An automatic write-off of a predetermined percentage based on the Collection Agency Agreement is to be taken on all accounts which are turned over to an outside collection agency for intense collection.
  - (d) A monthly status report for the Financial Services Accounting Manager listing all individual accounts over 60 days past due.
  - (e) A provision for periodic reports from any off-campus collection agencies.

**C. Reporting**

1. The Director of Financial Services, through the Executive Director, shall submit an annual report to the Board of Directors.