

Policy 104

**Extension of Credit Policy**

Section: 100 – General Administration  
Responsible Executive: Lead Financial Administrator  
Responsible Department: Business and Finance  
Office  
First Effective Date: September 15, 1986  
Last Reviewed: March 2018  
Next Scheduled Review: June 2022

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**1.0 PURPOSE**

- 1.1. To establish general policy and guidelines for the extension of credit and collection of accounts receivable.

**2.0 BACKGROUND**

- 2.1 The Board of Directors of Cal Poly Corporation (“CPC”) recognizes that the ability to extend credit to enable operational transactions is one of the important features of CPC's relationship with California Polytechnic State University. The Board also realizes that good management practices require that the extension of credit for operations be adequately controlled and that collection procedures be established to ensure that credit losses are minimized.

**3.0 POLICY**

- 3.1. Authority for Credit Extension. The Lead Financial Administrator or his/her designee is authorized to administer the credit activities of CPC related to CPC operations within the general policy criteria set forth herein.
- 3.2. Delegation of Authority. Written authorization may be delegated by the Lead Financial Administrator to a CPC department director or manager, CPC employee or an individual authorized as an CPC agent conducting CPC activities to grant credit if the following conditions are met:
  - 3.2.1. Cash payment at the time of the transaction is not reasonable or practical.
  - 3.2.2. The credit transaction is a normal part of the entity’s type of business activities.
  - 3.2.3. In the case of credit to students, the services or materials for which credit is extended must be necessary for the health and welfare of the student (example, meal plans).
  - 3.2.4. There must be a reasonable expectation that payment will be made within 30 days after the due date, unless otherwise agreed in writing between the parties. Except for installment programs, the due date will be the same as the transaction date.
  - 3.2.5. Supporting information for the credit to enable formal billing by CPC must be submitted to CPC Business Office as soon as possible after the credit is extended.
  - 3.2.6. The entity or individual extending the credit assumes responsibility for any non-payment of the account.
  - 3.2.7. The amount of credit extended, per transaction or per receiver of the credit, is reasonable as based on the type of activity being conducted.

- 3.3. Activities Where Credit is Allowed. Generally, the extension of credit will be limited to the individuals or entities and the type of activities listed below. The Lead Financial Administrator or his/her designee may approve other credit activities if, in his/her judgment, the extension of credit is necessary in the best interests of CPC and is a reasonable business practice.
  - 3.3.1. Students. Allowable credit to students related to health and safety of the students is generally limited to the purchase of meal plans on an agreed upon installment plan.
  - 3.3.2. University –Related Organizations or Individuals. CPC should cooperate in the extension of credit within the University community, where reasonable under good business practices.
    - 3.3.2.1. Approved purchase orders, are required prior to the extension of credit on all sales for the Associated Students, Inc., or any of its recognized student organizations.
    - 3.3.2.2. For any sales to be charged to any University entity or activity, the University Contracts, Procurement and Risk Management office should be contacted if a purchase order approved by the University requester is not available at the time of the transaction.
  - 3.3.3. Non- University Organizations and Individuals. Those extending credit for sales of products or services are cautioned to exercise care in all credit sales. Allowable credit transactions with off-campus organizations or individuals will generally occur in the following circumstances, with charges related to the:
    - 3.3.3.1. Conduct of a workshop or conference.
    - 3.3.3.2. Sale of educational web services materials.
    - 3.3.3.3. Sale of commercial or student enterprise program products, livestock, plants, or materials.
    - 3.3.3.4. Performance of grant and contract activities.
    - 3.3.3.5. University Store sales activity as a publisher and college bookstore, including wholesale sales relative to supplying other college bookstores with textbooks, computer equipment, or other materials.
    - 3.3.3.6. Campus Dining sales activity as a provider of catering and food services.
    - 3.3.3.7. Rental or sublease of facilities.
- 3.4. Credit Checks.
  - 3.4.1. When a Non-University Organization or individual requests an extension of commercial credit from CPC, a credit application, credit references and a credit report are required.
  - 3.4.2. The establishment of credit limits shall be the responsibility of the Lead Financial Administrator or his/her designee.
- 3.5. Collection Practices. It will be the responsibility of the Lead Financial Administrator or his/her designee to ensure that the collection and follow-up practices established by CPC are consistent with sound credit management standards and this policy, and can be uniformly applied. The Guidelines for collection procedures must contain the following features:
  - 3.5.1. A routine sequence of statements and requests for payment that is used for all accounts of a similar nature.
  - 3.5.2. A uniform procedure 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 Lead Financial Administrator or his/her designee.
  - 3.5.3. A process for submitting eligible accounts to the University with a request for business holds or other means possible for collection.

- 3.5.4. A process for freezing future withdrawals or credit extension related to the CPC-held account(s) of a University individual or entity and for collection against the University individual or entity through guarantees, repayment from related accounts held by CPC or University, or other means.
  - 3.5.5. A process by which interest may be charged for past-due credit, contractually or by policy.
  - 3.5.6. A write-off is to be taken on all accounts which are turned over to an outside collection agency for collection based upon the agreement with the agency. For example, if the agency receives a 50% fee on amounts collected, accounts placed with the agency will be written-off a minimum of 50%.
  - 3.5.7. A monthly accounts receivable aging listing of all individual accounts over 60 days past due will be reviewed by the Lead Financial Administrator or his/her designee to determine accounts whereby further action should be taken.
  - 3.5.8. A review of periodic reports from any off-campus collection agencies to be reviewed by the Lead Financial Administrator or his/her designee for further action.
- 3.6. Reporting. The Lead Financial Administrator or his/her designee shall submit an annual report to the Board of Directors related to account write-offs and recoveries in excess of \$25,000.

#### **4.0 DEFINITIONS**

- 4.1. Non-University Organization. An entity that does not have a direct relationship with the University or a University auxiliary.
- 4.2. Credit. Agreement based largely on trust under which goods, services, or money is exchanged against a promise to pay later

#### **5.0 PROCEDURES, GUIDELINES AND FORMS**

- 5.1. The Lead Financial Administrator or his/her designee is authorized to establish, procedures, Guidelines and forms consistent with and in implementation of this policy, as approved by the Executive Director.

#### **6.0 COMPLIANCE**

- 6.1. All auxiliary units, departments and personnel and any authorized personnel requesting funds from any account held by CPC must comply with this policy.

#### **7.0 REFERENCES AND RELATED POLICY**

- 7.1. CSU fiscal standards and policies
- 7.2. Generally Accepted Accounting Principles (GAAP)

#### **Technical and administrative change updates**

*7-25-12 for title and organization structure changes.*