21.01.04.L1.01 Extension of Credit – Accounts Receivable

First Approved: July 12, 2013
Last Revised: July 12, 2013
Next Scheduled Review: July 12, 2015

Standard Administrative Procedure Statement

The purpose of this SAP is to assist departments in the development of extension of credit and collection procedures to ensure proper internal controls, segregation of duties, and adequate safeguards of University assets.

Procedures and Responsibilities

Departments responsible for extending credit and creating invoices will be required to adhere to system policy regarding the issuance and receipt of all payments. The following are procedures to ensure consistency across departments throughout the University.

Extension of Credit

1. Credit may be extended only when it serves the best interest of the System and is for the public good of the State of Texas (TAMUS Regulation 21.01.04).

2. A memorandum requesting approval for the extension of credit should be submitted to the Vice President for Finance and Administration. Once approved, it must be on file with the Texas A&M International University (TAMIU) Comptroller’s Office in order for a department to extend credit as part of its departmental activities. The memorandum must include the expected monthly average and the aggregate total receivables per fiscal year and should reflect all SL accounts involved in the receivable process for the specific department. This memo will need to be updated and submitted annually and sent to Comptroller’s Office for record keeping.

3. Once approval has been received, credit may be extended when:
   a. TAMIU receives the greater benefit by the extension of credit;
   b. It is impossible or impractical to (a) require payment in full or (b) request posting a bond or cash deposit prior to delivery of goods or services;
   c. The extension of credit will allow TAMIU to conduct its operations in a more efficient way;
   d. The extension of credit will result in a savings of administration costs for TAMIU or will result in net benefit.
**Departmental Receivables**

A department that is responsible for extending credit on behalf of the University is also responsible for adhering to the following rules which apply to maintaining departmental receivables:

a. Invoices should be issued within one week of the date of delivery of the goods or the date the services were performed.

b. All invoices must show a remit address as follows:
   Texas A&M International University
   Accounts Receivable Department
   5201 University Blvd. – KL-162
   Laredo, Texas 78041

c. All payments are due within thirty days of invoice date.

d. If payment is not received within thirty days of the invoice date, past due notices should be sent out. The accounts receivable department will send the past due notices to each department monthly, and the department will be responsible for mailing those notices and contacting the customer concerning payment. At a minimum, these notices should be sent out on a bi-monthly basis. No further credit should be issued to the customer until payment is made.

e. An aged receivable report detailing all past due accounts should be prepared and reviewed on a monthly basis by the billing department. At the completion of each quarter (November, February, May & August), this report should also be submitted to Comptroller’s Office for review.

f. The Staff Accountant responsible for Accounts Receivable in the Comptroller’s office will review past due accounts on a regular basis to determine if they continue to be collectible. If after 2 years on the books, an account is deemed uncollectible, Accounts Receivable will send a Request for Write Off form to the department for approval and will then submit it to the Comptroller for further processing. A bad debt expense will be charged to the department. Once an account has been written off as uncollectible, no further credit should be issued to this customer.

g. Each unit should create its own internal Accounts Receivable procedures. Procedures should be detailed steps of departmental processes. These detailed steps should map out the course of action so that persons not familiar with the process can follow them to perform the duties when necessary. The Comptroller’s Office will review the procedure documents and make recommendations at the request of the department. Segregation of duties is essential to prevent one individual from having responsibility for more than one component. Components of extending credit are creating invoices, collecting payments and clearing invoices, depositing and reconciling. When developing extension of credit procedures, departments should always consider the importance of internal controls and segregation of duties and implement these two concepts into the procedures.

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**Related Statutes, Policies, Regulations, Rules or Requirements**

Supplements System Regulation 21.01.04 Extension of Credit

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**Contact Office**

For clarification or interpretation, contact the Comptroller’s Office.