

021.01.04 Extension of Credit

Revised [June 11, 2015](#)

Next Scheduled Review: June 11, 2020

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Regulation Statement

This regulation provides guidelines for the extension of credit and referral of delinquent accounts to The Texas A&M University System (system) Office of General Counsel (OGC) or the Attorney General (AG) of Texas.

Reason for Regulation

This regulation establishes uniform procedures for system extension of credit and related collection processes.

Definitions

Click to view [Definitions](#).

Procedures and Responsibilities

1. EXTENSION OF CREDIT

- 1.1 Member chief financial officers (CFO) are delegated the authority to approve the sale of goods and services on credit, provided such extension of credit serves the best interest of the system and the public good of the state of Texas.
- 1.2 The CFO is required to maintain written documentation explaining the circumstances requiring an extension of credit.
- 1.3 Payment for the sale of goods and services on credit is expected within 30 days. Special circumstances requiring the extension of credit for longer than 30 days must be disclosed in the documentation maintained by the CFO.
- 1.4 Factors the CFO should consider in determining if extending credit serves the best interest of the system and the public good of the state of Texas include the:
 - (a) efficiency of conducting business;

- (b) administrative cost savings and/or the benefits of extending credit that exceed the costs;
- (c) credit requestor's previous payment history and/or financial capacity to repay the debt; and
- (d) consistency of standards applied to all applicants requesting an extension of credit.

2. INTERNAL CONTROL

- 2.1 Member guidelines to approve requests for extension of credit must ensure the information, record-keeping and control systems used for decision making provide the accuracy and reliability required to protect member assets. Members should review guidelines periodically and update as necessary.
- 2.2 Periodic analysis is required with frequency relative to balances. Analysis is required at least quarterly; however, more frequent analysis may be needed to adequately manage billings/collections.

3. IDENTITY THEFT PREVENTION PROGRAM

- 3.1 Each member must periodically conduct a risk assessment to determine whether it has any covered accounts. If a member has covered accounts, the member's guidelines must include a written identity theft prevention program to detect, prevent and mitigate identity theft related to new and existing covered accounts.
- 3.2 A member's written identity theft prevention program must include reasonable procedures to:
 - (a) identify relevant red flags for covered accounts at the member and incorporate those red flags into the program;
 - (b) detect red flags that have been incorporated into the program;
 - (c) respond appropriately to any red flags detected to prevent and mitigate identity theft; and
 - (d) ensure the program is updated periodically to reflect changes in risk factors.

As part of designing an identity theft prevention program, a member must consider the Federal Trade Commission's (FTC) guidelines and incorporate in its program those guidelines that are appropriate. The guidelines are found in Appendix A to the FTC's Red Flags Rule.

- 3.3 Each member's initial written identity theft prevention program must be approved by the chancellor or designee.
- 3.4 Members should assign the responsibility for the program to a senior management position.
- 3.5 Member programs will require training for appropriate personnel to recognize activities that may be the result of identity theft. The training will include:

- (a) steps to verify the identity of the person opening a covered account;
- (b) the monitoring of transactions for suspicious activity;
- (c) verifying the validity of changes of address;
- (d) procedures for the appropriate response to activity that is suspicious; and
- (e) any other activity deemed to be a potential risk.

3.6 Member guidelines and programs should be reviewed and updated periodically to reflect changes in risk factors.

4. DELINQUENT ACCOUNTS

4.1 The AG's uniform collections guidelines provide that no more than two demand letters should be transmitted to debtors. The first demand letter should be sent no more than 30 days after the obligation has become delinquent, and the second demand letter should be sent 30-60 days after the first demand letter. Documentation of all attempts to collect the debt must be recorded and maintained on file.

4.2 When the debt is determined to be delinquent, members should utilize the State Comptroller's warrant hold process to ensure payments are not issued to the individual or entity that is indebted to the state. The warrant hold process is detailed in the State Comptroller's Accounting Policy Statement No. 028, *Reporting of State Debts and Hold Offset Procedures*.

4.3 System members should establish reasonable tolerance levels that determine when delinquent accounts should be referred for collection. Factors to consider when establishing tolerance levels should include the:

- (a) size of the debt;
- (b) existence of any security or collateral;
- (c) likelihood of collection through passive means; and
- (d) cost to the agency in attempting to collect the obligation.

4.4 For a delinquent account under Section 4.1 that is not referred for collection, the member is not required to expend resources for further collection efforts if, considering the amount, security, likelihood of collection, expense and available resources, the member determines that further collection should not be actively pursued.

5. WRITE-OFF OF UNCOLLECTED ACCOUNTS

The AG's uniform collections guidelines also allow members to utilize the OGC to determine whether delinquent accounts can be written off. When contacting OGC for a legal sufficiency review of a proposed write-off, the member must include the following information:

- (a) member guidelines for the collection of receivables;

- (b) documentation that the collection procedures have been followed for the accounts to be written off;
- (c) the date the receivable was recorded;
- (d) description of the collection efforts to date;
- (e) documentation that vendor on-hold procedures for the state have been followed;
- (f) confirmation that a hold will be maintained in the financial accounting system for those receivables written off; and
- (g) the member's determination and analysis under Section 4.4 that further collection should not be actively pursued.

A member may not contract with, retain or employ any person other than a full-time employee of the system to collect a delinquent obligation without prior written approval of the AG. Any existing arrangement must receive the written approval of the AG to be renewed or extended.

If a debt is approved for write-off, procedures outlined in the State Comptroller's Accounting Policy Statement No. 027, *Accounting for Uncollectible Accounts*, should be followed to record the entry correctly if the transaction is associated with a State Treasury bank account.

Related Statutes, Policies, or Requirements

[1 Tex. Admin. Code § 59.2](#)

[Tex. Educ. Code § 51.010](#)

[Tex. Gov't Code Ch. 2107](#)

[Comptroller of Public Accounts, Accounting Policy Statement 027, *Accounting for Uncollectible Accounts*](#)

[Comptroller of Public Accounts, Accounting Policy Statement 028, *Reporting of State Debts and Hold Offset Procedures*](#)

[Federal Trade Commission Red Flags Rule, 16 C.F.R. § 681.1](#)

[Interagency Guidelines on Identity Theft Detection, Prevention, and Mitigation, Appendix A to the Red Flags Rule](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

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