

21.01.04.T0.01 Extension of Credit, Delinquent Accounts, Collections and Write-offs



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Procedure Summary

This standard administrative procedure (SAP) supplements The Texas A&M University System (system) Regulation 21.01.04, *Extension of Credit, Delinquent Accounts, Collections and Write-Offs* and provides guidelines for extension of credit, collection efforts, and referral of delinquent accounts at Tarleton. This SAP also establishes standard processes, guidelines and internal controls for extension of credit and related collection processes in accordance with System Regulation 21.01.04, *Extension of Credit, Delinquent Accounts, Collections and Write-Offs*.

Procedures and Responsibilities

1. EXTENSION OF CREDIT

1.1. Tarleton allows, and the chief financial officer (CFO) approves of, the sale of certain goods and services on credit as outlined herein, in accordance with System Regulation 21.01.04 and only when it serves the best interest of Tarleton, the system and for the public good of the State of Texas. Extensions of credit are allowed and appropriate for university students, granting agencies and university departments within the guidelines and requirements outlined herein.

1.1.1 Tarleton's Office of Business Services– Student Accounts (Student Accounts) is designated the responsibility for extensions of credit to students and maintenance of applicable documentation.

1.1.1.1 An extension of credit may be granted to a student when the student's account receivable is recognized and recorded in the university's financial records as follows:

- A student has enrolled for classes at the university or has been registered for classes by the university;
- A student has incurred charges for costs associated with attendance (tuition, fees, housing and meal charges, book purchases, and other miscellaneous departmental fees such as library fines, etc.) from which a benefit to the student is derived;

- The revenue from the transaction has been recognized in the university's books and records;
- Payment is due to the university from the student or third party;
- Payment has not been received (collected) by the university from the student or third party;
- The accounts receivable does not represent an extension of credit that is prohibited by law; and,
- The university fiscal officers deem the recording appropriate.

1.1.1.2 An extension of credit may be granted to a student in accordance with the university's [Financial Responsibility Agreement](#), agreed to by students when registering each term, and within the guidelines found on the [Tarleton Student Payment Options and Dates webpage](#).

1.1.2 The Office of Business Services – Grant Accounting (Grant Accounting) is designated the responsibility for extensions of credit to granting agencies and maintenance of applicable documentation. Grant Accounting will bill accounts receivables generated for expenditures extended to granting agencies in accordance to the applicable grant contract or agreement

1.1.3 The Office of Business Services (Business Services) is designated the responsibility for extensions of credit to university departments and maintenance of applicable documentation. Business Services will generate university department receivables.

2. INTERNAL CONTROL FOR EXTENSION OF CREDIT

- 2.1. The guidelines outlined herein are established to ensure the information, record keeping and control systems used for decision-making for extension of credit provide the accuracy and reliability required to protect Tarleton's assets.
- 2.2. Business Services and responsible units will maintain adequate records of accounts receivable and prepare monthly reconciliation.
- 2.3. It is the responsibility of the director of student account services to establish the following for student receivables:
 - A process to ensure that any extension of credit (installment plan contract, short-term loan, or repayment agreement) is done so in a prudent manner, including the use of standardized credit applications and legal authority required for approval of the requested credit.

- A process whereby credit is not extended to students who are in default on other obligations or for whom previous obligations have been written off as uncollectible. If a student account is in default, a transcript and registration hold will be placed on the account.
 - A process for managing and monitoring the billing and collection activities on student accounts.
 - A process for recording and monitoring credit extended and subsequent payments received on student accounts.
 - A process to ensure that amounts reported as receivables on the financial statement are recorded in accordance with generally accepted accounting principles.
- 2.4. It is the responsibility of the Student Accounts and Business Services - Financial Accounting (Financial Accounting) units to maintain adequate records of student accounts receivables, departmental receivables, and prepare reconciliation between the student record system and the financial accounting system.
- 2.5. It is the responsibility of the Student Accounts and Financial Accounting units to maintain an aging schedule for all student accounts receivable.
- 2.6. An account receivable for tuition and student fees is recorded in the financial records automatically by the registration/fee assessment process. Charges for housing, meal plans, or other fees are entered by the office responsible for administration of those programs. These entries credit the appropriate revenue accounts and debit the appropriate account receivable accounts in the university's accounting system.
- 2.7. In the event that a student withdraws during the semester, the accounts receivable outstanding balance for tuition and student fees is reduced by the appropriate percentage refund rate ([Withdraw Refund Schedule](#)) relevant at the time of withdrawal. Reduction or removal of other charges such as housing, meal plans, orientation fees, or other balances is completed by the office that posted the original charge.
3. COLLECTING STUDENT ACCOUNTS RECEIVABLE
- 3.1. Prior to registration for each term, each student is required to accept the university's [Financial Responsibility Agreement](#) before being allowed to register.
- 3.2. Student Accounts will establish and post on the [Business Services Student Payment Options and Dates webpage](#) billing due date schedules for each term. Notification of the billing due dates will be communicated to students through one or a combination of the following methods: monthly scheduled bill notifications within the student billing module, email notifications, telephone calls, as well as other notifications as deemed appropriate by Student Accounts.
- 3.3. An account will be considered delinquent or in default, when the account balance remains unpaid 30 days after the end of the semester.

3.4. The size of the account receivable may influence the collection efforts. The expenditure of time, effort, and money to collect large accounts receivable is appropriate; however, the same efforts expended on very small accounts receivable may not be economical.

3.5. Collection Efforts

3.5.1 Registration and transcript holds are placed on a student's record when an outstanding balance remains on the student's account after the applicable due date has passed, unless a reasonable payment arrangement has been executed. For outstanding account balances less than \$3,000, a transcript hold is placed on the student's record, and for outstanding account balances equal to and over \$3,000, a registration and transcript hold is placed on the student's record. Holds placed on student records for delinquent accounts will not be released until the account is paid in full.

3.5.2 Approximately 30 days following the end of the term/semester, Student Accounts will mail a first demand letter for delinquent accounts to each student debtor not enrolled in the current term with an outstanding balance of \$200 or more in accordance with System Regulation 21.01.04.

3.5.3 Approximately 60 days following the end of the term, Student Accounts will mail a second demand letter to each student debtor not enrolled in the current term with an outstanding balance of \$200 or more in accordance with System Regulation 21.01.04, providing student debtors 30 days to pay any outstanding balance prior to the university turning over the account to a third-party collection agency.

3.5.4 Approximately 60 to 90 days following the end of the term, Student Accounts will apply any outstanding general deposit to delinquent student accounts and compile a list of delinquent accounts to be sent to a third-party collection agency.

3.5.5 Approximately 90 to 120 days following the end of the term, Student Accounts will place the delinquent accounts listed for collections per section 3.5.4 with a third-party collection agency.

3.5.6 Approximately 120 days following the end of the term, Student Accounts will notify the Texas Comptroller of Public Accounts of delinquent student accounts and request initiation of the warrant hold process, ensuring that no treasury warrant is issued to the indebted student (Texas Government Code, §403.055).

3.5.7 Approximately 90 to 365 days following the end of the term, the third-party collection agency will actively pursue collection of the delinquent accounts. Payments during this time-period, to either the university or the collection agency, will be subject to third-party collection agency fees.

3.5.8 Approximately 366 to 732 days following the end of the term, delinquent accounts placed with a collection agency and not paid in full will be returned to the university from the collection agency. Student Accounts may refer these

accounts to alternate collection agencies for second or third referral (at Student Accounts discretion).

3.5.9 Approximately 750 days following the end of the term, delinquent accounts may be turned over to the System Office of General Counsel (at the assistant director of student account's discretion).

3.6. Accounts placed with a collection agency are subject to fees, which are calculated and added upon submission to the collection agency. These fees will be determined in advance with the collection agencies and are subject to approval from the Texas Attorney General's Office.

3.7. A debtor with a delinquent student account may request to execute a payment agreement with the university. If a student debtor has executed a payment agreement and makes payment(s) toward the balance within 30 days of the date of mailing of the second demand letter, the student debtor account will not be turned over to a third-party collection agency. If at any point, following receipt of the second demand letter and/or execution of a payment agreement, payments cease before the account balance is paid in full, the account will be turned over to a third-party collection agency without further notice. Third-party collection agency fees will apply to all delinquent accounts turned over to them for collection. Registration and/or transcript holds placed on student accounts will not be removed until the balance of the delinquent account has been paid in full.

3.8. All demand letters will be mailed in compliance with applicable collection laws and System Regulation 21.01.04. If the United States Postal Service provides an address correction, the applicable demand letter will then be mailed to the corrected address prior to the referral procedures previously described. If more than one debtor exists on any one delinquent account, demand letters will be mailed separately to each debtor prior to referral of the account to a third-party collection agency and placement of a State warrant hold.

3.9. If a student account accrues a balance of \$200 or more after the first demand letters for delinquent student accounts have been mailed for a specific term/semester, Student Accounts may, at their discretion, include these accounts in the next collection cycle.

4. WRITE-OFF OF UNCOLLECTED ACCOUNTS

4.1. If a debtor is deceased and all attempts to collect against the estate have been unsuccessful, the delinquent obligation will be classified as uncollectible and permanently written-off with approval granted by the Office of General Council.

4.2. The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from financial responsibility to the university. Although the uncollected account has been removed from the financial books and records (i.e., written off as uncollectible), the university may still have a claim against the debtor and may still seek legal remedy (i.e., file suit for collection in a court of law). Therefore, it is the responsibility of Student Accounts and Financial Accounting to maintain adequate records regarding legal financial obligations (debts) owed to the university.

- 4.3. The university will record an allowance for doubtful accounts on past due accounts for all accounts that have not been written off or forgiven. Prior to closing each fiscal year's books, Financial Accounting will analyze and adjust the allowance for doubtful accounts, with offsets to the appropriate revenue accounts or bad debt expense, in accordance with accounting guidelines. An allowance for doubtful accounts will be set up as a contra-receivable in each appropriate general ledger.

5. MONITORING

The director of student account services will conduct quarterly reviews of extensions of credit, delinquent accounts, collections and write-offs. The director of student account services accounts will provide regular updates and report significant progress and/or concerns through the assistant CFO/associate vice president for finance and administration to the CFO.

Related Statutes, Policies, or Requirements

[1 Tex. Admin. Code § 59.2](#)

[Tex. Educ. Code § 51.010](#)

[Tex. Educ. Code § 54.007, 54.0071](#)

[Tex. Gov't Code §403.055](#)

[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](#)

[System Offices Collection and Write-Off Guidance](#)

[System Policy 21.01, Financial Policies, Systems, and Procedures](#)

[System Regulation 21.01.04, Extension of Credit, Delinquent Accounts, Collections and Write-Offs](#)

[Tarleton State University Withdraw Refund Schedule](#)

[Tarleton Student Payment Options and Dates](#)

Definitions

Accounts receivable – money owed to a company by its debtors.

Contra-receivable - contra accounts are reported on the same financial statement as the associated account. For example, a contra account to accounts receivable is a contra asset account. This type of account could be called the allowance for doubtful accounts or bad debt reserve.

Delinquent – payment is past due by law or by customary business practice, and all conditions precedent to payment have occurred or been performed. 1 Tex. Admin. Code §59.2(a)(3)

Demand letter – document giving formal notice that legal action is being considered for the nonpayment of the debt. The letter can be an email if the debt is not being sent to the attorney general (AG). If the debt is being sent to the AG, the demand letter must be mailed and the member must have sent at least two letters by mail per Section 4.4 of the regulation. Demand letters include the facts, list the goods or services provided, the total amount owed, and the deadline for a response (typically ask that they respond within 7-10 days). Ensure there is a sentence stating that legal action is being considered.

Doubtful accounts – Accounts receivable that are expected to be uncollectable.

Extension of credit – allowing a customer to be provided goods and services today and to pay for those goods and services at a later date.

Treasury warrant – an order in the form of a check. It is through treasury warrants that the state disbursements are paid.

Contact Office

Business Services
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