
I. POLICY STATEMENT

Texas Southern University is prohibited from entering into a transaction for the sale or lease of goods or services in which the institution extends the credit of the state, except as permitted by applicable law, including the Texas Education Code. In accordance with Texas law, retail operations owned or operated by institutions of higher education may not extend credit unless expressly authorized. Prohibition against certain extensions of credit by retail stores owned or operated by institutions of higher education is defined in Texas Educational Code § 51.929. University departments may not provide goods or services where state-appropriated funds are involved unless payment is received at the time of the transaction, except where permitted by law. In view of this prohibition, colleges or departments may not deliver merchandise or provide services to individuals, associations, or corporations in any situation where the use of state-appropriated funds is involved, unless payment is received.

The prohibition against the extension of credit does not apply to:

- Federal, state, county, or municipal government agencies
- Political subdivisions of the State of Texas
- Tuition and fees installment options as specified in the Texas Educational Code, section 54.007

II. PURPOSE AND SCOPE

This document establishes guidelines for the prudent extension of credit where deemed permissible and in the best interest of the University.

III. DEFINITIONS

A. **Debtor:** Entity purchasing goods or services on credit (i.e., the buyer).

B. **Creditor:** Entity selling goods or services on credit (i.e., TSU department).

C. **Account Receivable:** An asset that represents a claim against another entity for goods or services that have been provided, but for which cash has not been received.

IV. POLICY PROVISIONS

A. CRITERIA FOR RECOGNIZING AN ACCOUNT RECEIVABLE

An accounts receivable may be recognized if:

1. The buyer is not another University department;
2. The buyer has entered into a legally binding agreement to purchase the goods or services;
3. The goods or services have been delivered;
4. Payment is due;
5. Revenue has been recognized in the University's books and records;
6. Payment has not yet been received;

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7. The amount is deemed material by the Vice President for Administration and Finance/Chief Financial Officer;
 8. The receivable does not represent an extension of credit prohibited by law; and
 9. Recording is deemed appropriate by the University's accounting officials.

B. RECORDING AN ACCOUNT RECEIVABLE

Accounts receivable shall be recorded in the University financial system through journal entries prepared by the department and submitted to General Accounting with appropriate supporting documentation, or through sub-ledger feeds for student receivables. Entries shall credit the appropriate revenue account and debit the appropriate accounts receivable account. Applicable tax liabilities must be recorded at the time revenue is recognized. In the event that goods sold on account are returned, the accounts receivable outstanding balance is reduced by the amount of the return using a journal entry.

C. AGING, COLLECTING, AND RECONCILING ACCOUNTS RECEIVABLE

All departments recording accounts receivable must maintain adequate records and reconcile departmental records to the financial system monthly. Departments must maintain an aging schedule balanced to the total recorded accounts receivable. The department recording the accounts receivable has sole responsibility for collection and must maintain a documented collection procedure.

To ensure consistency, departments shall follow this integrated schedule of aging brackets and collection activities:

- 0 to 30 days: Standard billing and issuance of initial invoice.
- 31 to 60 days: Send copy of invoice via email with 30-day dunning message.
- 61 to 90 days: Send copy of invoice via email with 60-day dunning message.
- 91 to 120 days: Send copy of invoice via email with 90-day dunning message.
- 121 to 150 days: Send copy of invoice via email with 120-day dunning message.
- 151 to 180 days: Send copy of invoice via email with 150-day dunning message and mail final collection letter.
- Over 181 days: Account submitted to University's contracted collection agency.

All collection activity must be logged and copies kept of all correspondence sent to the debtor.

D. EXTENSION OF CREDIT CONTROLS

Each college or department is responsible for determining whether the extension of credit is appropriate and must maintain:

1. A process to ensure the transaction is not prohibited under applicable law.
2. Procedures for prudent credit extension, including standardized applications and defined approval authority.
3. Procedures for billing and accounting, including the identification of non-state funds to offset potential losses.
4. Procedures for compliance with Texas Government Code § 403.055 regarding "warrant hold" requirements for reporting debt to the Texas Comptroller.

E. WRITE-OFF OF AN UNCOLLECTIBLE ACCOUNT

All accounts receivable to be written off must be approved by the Board of Regents. The Office of Student Accounting will compile these accounts for submission. Accounts are eligible for write-off once they have been outstanding for 1080 days (three years) with no payment activity and documented collection efforts. Each request must be supported by the original invoice, collection logs, and all correspondence. Following Board approval, the department business manager initiates the journal entry to debit the write-off.

F. FORGIVENESS OF DEBT VERSUS WRITE-OFF

The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from financial responsibility. The University may still seek legal remedy. Departments wishing to formally forgive a debt must seek advice from the Office of General Counsel regarding tax consequences and legal implications.

G. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable shall be reported in the financial statements at net realizable value. When accounts receivable are material, departments shall establish an allowance for uncollectible accounts. The following minimum percentages shall be applied:

- 0–360 days: 10% uncollectible
- 361–720 days: 90% uncollectible
- 721–1080 days: 90% uncollectible
- 1081+ days: 100% uncollectible

Departments may establish a different reserve rate if they can document an experience-based uncollectible rate significantly different from the institutional history.