

Credit Policy



MISSION

The credit department defines the requirements for establishing trade credit for new customers and maintaining credit lines and limits for active accounts and returning customers with appropriate payment terms. The credit department also strives to offer optional payment methods to facilitate sales to customers with sub-optimal credit histories.

GOALS

Each year, the credit department works with executive management to establish new goals for the coming year. These goals are based on many factors – including the company's credit policy, sales and financial requirements, competition, our desire to move into new markets, and the condition of the domestic and global economy.

The credit department's main goal is to maintain a Days Sales Outstanding (DSO) of 31 days or less, however, that is dependent upon programs established in conjunction with the sales department. Receivables should remain at least 75% in the current category and less than 5% in the over 60 days category, with bad debt write offs not to exceed .5% of annual sales. All past due customers should be contacted when invoices are 15 days past due. All customer credit lines should also be reviewed every two years; however, all customer credit lines exceeding x amount shall be reviewed semi-annually. Any order flagged will not be shipped until the order is reviewed by the credit department.

ROLES AND RESPONSIBILITIES

The Credit Leader has overall credit and collections responsibility for the credit department. Employees in these roles have authority to approve credit lines up to 1.5 times the amount. Anything exceeding this amount needs approval from the Finance Director.

The Credit Managers are responsible for managing the credit evaluation, review, and approval process, as well as managing overall risk to the portfolio. Only credit managers and leaders are authorized to issue communications with customers concerning credit-related issues.

Accounts Receivable – This position/team reports to the Credit Manager(s) and is responsible for daily accounts receivable activity, including invoicing and cash posting.

Collections – This position/team oversees collections and works with contracted collections agencies. ICT Network Systems Inc., may use an external entity for collections as well.

CREDIT EVALUATION POLICY

The credit department establishes and maintains credit lines and payment terms for all new and existing customers. Credit is extended to customers who can demonstrate their ability to repay a debt. Creditworthiness is determined via third-party credit information from Dun & Bradstreet, trade references, and the customer's financial information (when required).

Our company uses credit scorecards to determine creditworthiness and assign credit limits. The credit department evaluates the scorecard result alongside other information provided in the online credit application and will determine if the customer has the ability and willingness to pay at the required level. In the absence of any red flags, such as bankruptcy or a documented case of fraud, appropriate credit limits will be set.

CREDIT REVIEW POLICY

For existing customers, the credit department reviews credit limits as needed. All limits may be subject to change based on changes in customer creditworthiness. Individual orders are referred to the credit department when an account is over their credit limit, and/or the customer is past due and every attempt has been made to seek payment. If satisfactory arrangements can't be made, the account is placed on a credit hold and the order will be held or cancelled.

TERMS OF SALE POLICY

Terms of sale are determined based on current sales programs and promotions. The credit department works closely with sales to institute and modify appropriate terms that maximize sales outcomes. Advance payment discounts may be used to close new business, if needed. Standard payment terms are net 30; net 45 for sales over x amount, or four equal quarterly equal payments due on days 1, 90, 180, and 270.

Terms for orders already shipped cannot be altered or modified without approval from the credit department. Any changes from standard payment terms requires a variance request form. Variances are the rare exception, as non-standard terms have a negative impact on cash flow and DSO; they also increase the cost of carrying the accounts receivable.

CREDIT CARD POLICY

Our company accepts credit cards as a method of payment for all customer purchases and open cash invoice customers who want to pay the remaining balance by credit card. American Express, MasterCard, Visa, corporate cards, purchasing cards and debit cards are accepted. Credit cards can be charged for any monetary amount – it's not restricted to sales and/or orders under or over a certain amount, nor limited to customers with certain payment terms. Customers paying by credit card will not incur any additional fees, such as merchant fees, nor will they receive a discount. When a charge is disputed by the customer, our company policy is to individually review and then issue a chargeback or refuse the refund if the dispute is found to be invalid. Our company currently does not use mobile payment systems or contactless payment systems such as NFC for credit card purchases.

DELINQUENT ACCOUNTS POLICY

This policy establishes the procedures to be followed should an account have an open receivables balance more than 60 days past due. In congruence with the ICT Network Systems Inc., at that time, it's labeled as "severely delinquent." The credit team alerts the sales team to the outstanding balance, and the credit team will send a letter marked Final Notice to the customer. The account is placed on a credit hold; barring future orders from being processed or shipped. The sales and credit team will work with the customer to resolve the issue. If the outstanding balance is not resolved with payment, the revenue is cancelled, and the account now must be treated in adherence with the company's Bad Debt Policy.

BAD DEBT/COLLECTIONS POLICY

When a severely delinquent account (61+ days past due) is not resolved with a good faith effort of payment, the expense may be written off to bad debt. Our company's definition of bad debt is an uncollectible balance owed from a customer experiencing financial hardship such as bankruptcy. Non-paying accounts can be written off to bad debt only after the customer has gone out of business, has filed for bankruptcy, or has been placed for collections and payment has not been secured after six months (180 days). Financial hardship can include, but is not limited to: a company that shows a Delinquency Score of less than 20, and a Failure Score of less than 20.

If every attempt at collection fails, otherwise outstanding balances are turned over to our company's collections agency (a third party) if approved by both the Finance Director and the Sales Director.

MERGERS & ACQUISITIONS POLICY

When one customer buys another customer's business, the acquired business is transferred to the account of the acquiring or surviving entity. The surviving entity's Dun & Bradstreet D-U-N-S Number is established as the master. It is the responsibility of the acquired business's sales and credit representative to ensure the acquired account is in good standing. Issues such as bad debt, outstanding balances, purchase orders, etc. must be completed prior to transfer. These issues should be documented, and a treatment determined and/or resolved during planning between the two teams.

TAX EXEMPTION POLICY

The following organizations are exempt from state sales tax: federal government, state and local government, and nonprofit/not-for-profit organizations. A representative from the credit and/or sales team must obtain a properly executed exemption certificate from customers who claim this exemption. The following are not acceptable forms of documentation for tax-free purchases: business license, sales tax permit, sales tax registration, federal tax certificate, or IRS letter stating tax-exempt status.