



4.18 Bad Debt Policy

Policy approved by the Board of Trustees – December 10, 2025

I. Rationale

The College shall provide for the possibility that some portion of amounts included in its receivable accounts may not be collectible. This policy facilitates an accurate forecast of this allowance based on actual experience and relevant data. It applies to the recording of all receivables in the College's financial records and sets the College's financial procedures for handling, providing an estimated allowance for, and removing uncollectible receivables.

A. Scope

All accounts receivable, including accounts for credit and noncredit students, third party payers or agencies, employees, vendors, and clients/customers owing Westmoreland County Community College a receipt of funds as noted on an account statement and/or invoice.

B. Definitions

1. Accounts Receivable - money owed to the college for goods or services provided to Students, Third Party payers or agencies, employees, and amounts due in connection with conference services, tuition guarantees, and other Clients/Customers owing Westmoreland County Community College as set forth on an accounts receivable statement and/or invoice.
2. Student Accounts - accounts containing charges and payments for normal student (credit and non-credit) activities, including tuition and fees. These accounts are also used by faculty and staff for purchase of similar services.
3. Provision for Bad Debts – the recording of an estimated amount in the expense accounts of the College representing revenue accrued in the current period that is not expected to be collected and may include other adjustments to the Allowance balance.
4. Allowance - a contra-asset account reducing the gross amount of Accounts Receivable representing a point-in-time estimate of the total amount of Accounts Receivable that is not expected to be collected.
5. Doubtful Account - Monies owed to the College with low probability of repayment. This category may include, but is not limited to, taxes, tuitions, fees, other charges, etc.
6. Client/Customer- Business, Industry, and Nonprofits engaging in contract or workforce training resulting in an invoice.
7. Third Party - an Agency who agrees to pay on behalf of a student (credit or noncredit) or Client.
8. Write Off – The removal of an Accounts Receivable balance from the Accounts Receivable ledger with a corresponding reduction to the Allowance.

II. Policy Statement

The Allowance balance reflects management's judgment regarding the collectability of outstanding Accounts Receivable based on historical experience and other factors. An estimated Provision for Bad Debts (which affects the Allowance) shall be made annually in an amount management deems appropriate.

Accounts will be reviewed for Write Off at least annually and may be reviewed more frequently. Although written off for accounting purposes, the debt remains owed to the institution and collection efforts may continue.

An Accounts Receivable amount is determined to be uncollectible and considered for Write Off based on the following criteria:

- All reasonable collection efforts have been exhausted including, if appropriate, the efforts of a collection agency.
- The cost of further collection action would exceed the amount to be recovered.
- The debtor cannot be located.
- The debt was discharged in bankruptcy or the debtor has become insolvent.
- The statute of limitations for collection of the debt has expired.
- The debtor has died and there is no known estate or guarantor.
- Other cases as determined by College administration.

With due consideration of the above, an Account Receivable will be written off at the discretion of the Vice President of Administrative Services or the Director of Accounting