Bad Debts Policy

POLICY: Bad Debts			
POLICY NUMBER:	500.13.01	**CUSTODIAN:**	Director of Finance
APV'D DATE:	2-11-20		
EFFECTIVE DATE:	2-11-20	**REVIEW DATE:**	Feb 2020
REFERENCES: Generally Accepted Accounting Principles (GAAP)			

Part 1. Policy Background and Purpose.
Account receivable balances are deemed uncollectible after non-payment for a period of time or based on a specific customer repayment risk. COT will approve the period of time if different than one year.

Part 2. Definitions.
Bad debt is the realization that no payment is likely to be received. A bad debt may also be referred to as an unrecoverable or uncollectible debt.

A write-off occurs when a Bad Debt is expensed to a Bad Debts Expense income statement account to fund the creation of an Allowance for Uncollectible Accounts balance sheet liability.

R2T4 repayments reference the repayment of previously disbursed Pell grant funds due to a student that withdrew from classes prior to surpassing a pre-determined enrollment threshold.

Part 3. Responsibility.
Director of Finance

On an ongoing basis, to fund the Allowance for Uncollectible Accounts for R2T4 repayments.

For all other receivables, to prepare a list of potential uncollectible tuition/fees and/or bad debt write-offs of student accounts or customers deemed uncollectible due to the account having a balance for more than a year or due to a specific collectability risk.

Director of Finance will bring forward aging report quarterly for review by the COT.

Finance Supervisor

Provide Statements of Account to all student and non-student customers on a quarterly basis. Such statements shall indicate the amount due to WETCC.

COT

Oversee the Director of Finance's list of proposed bad debt write-offs.

Part 4. Policy

Bad debts may arise for several reasons, but the most common instance relates to Pell Grants. If a Pell grant is distributed to a student and that student withdraws (either voluntarily or involuntarily) before hitting a certain semester enrollment threshold, WETCC may be required to return those funds to the Department of Education. This is often referred to as a R2T4 event, so named for the form required to accompany the funds.

Pell monies must be returned to the DOE regardless of whether the funds are or are not returned by the student. It then becomes the WETCC responsibility to collect any returned R2T4 funds.

R2T4 returned funds are placed back on the student's account after being returned to the DOE. WETCC recognizes that the likelihood of collecting these funds is minimal. Therefore, R2T4 funds should be immediately written off as uncollectible.

Given the adverse financial outcome associated with a R2T4 repayment, WETCC shall exercise prudence in distributing Pell and other grant funds in a manner that balances both student need and financial stewardship. Therefore, funds are to be distributed 1) within acceptable grant distribution parameters, and 2) to students who demonstrate a commitment to their schooling, as primarily indicated by attendance although other factors may be further considered.

All other customers who do not pay their balance in a timely manner shall be considered a potential uncollectible account receivable and presented to the COT to for a write-off determination.

The annual external audit shall further perform calculations on collectible receivables to verify accuracy.