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CALENDAR

Redlands faces \$1.1 in unpaid obligations; fee, tuition collections top \$1.8 million

By Traci Chapman

Redlands Community College is facing more than \$1.1 million in unpaid obligations and has \$1.8 million in uncollected tuition and fees, according to an audit ordered by the Oklahoma State Regents for Higher Education.

The audit, conducted by Springfield, Mo., auditors BKD CPAs, came about after the community college failed to meet some of its obligations. During a one-week visit to the site, auditors compiled a report which was submitted to the state regents, as well as provided to Redlands Board of Regents during the college's regular Thursday board meeting, Redlands President Dr. Larry Devane said Monday.



"They're kind of at the look-through stage," Devane said.

The report stated Redlands owed more than \$1.1 million to several entities, including local El Reno businesses, firms the college has contracted with for services and the regents itself. The regents bill – totaling more than \$394,574 – includes sums due on the college's bond payments, incurred for the construction of Redlands housing, Devane said. It was the failure to make regularly scheduled payments on those bonds that alerted officials to problems at the college, the president said.

Devane said there were no known problems with RCC finances until the death of longtime vice president for finance Karen Boucher, who died suddenly Feb. 1. It was after Boucher's death that Devane said he was alerted to issues with the bond payments, in the form of communication from an employee at the state regents office.

After the death of Boucher, Devane said he received a sympathy card from an employee in the state office of the Higher Regents. He said the card contained a note at the end concerning RCC's failure to make two bond payments. Devane said he no longer had the card.

"...was notified in one of their employee's cards ... in sort of a by the way, I need to find out why you're behind on a couple of your bond payments, and for five years we've been right, and I had no idea we were," Devane said.

Devane said after meeting with officials with the state board, they determined an audit was in order and procured the report, which cost \$23,000, higher regents officials said. The state bore the cost of the audit.

According to the report, practices by RCC staff made it impossible to determine the true extent of Redlands' obligations without an accounts payable audit. Not questioned was the fact that the \$1.1 million-plus in unpaid obligations went back to at least October 2012, and creditors were calling for their money – including one company that threatened to cut off services if not paid.

The business office receives "numerous calls each week from vendors and creditors seeking payment for invoices several months past due," the report stated.

The college's general ledger balance as of April 30 remained in the negative to the tune of more than \$175,913, the report stated. That caused Redlands staff to hold checks that had not been mailed, something that was done at Devane's instruction, he said.

"My instruction there was, if you don't have funds to back it, we're not going to send it out," Devane said.

Included in the shortfall were several local businesses, including Ross Seed, Schwarz Oil, King Electric, Daughety Brothers Propane and others. According to the report, Ross was owed more than \$26,725, while the others were due thousands of dollars. Although Redlands was negotiated a change in payment structure with some entities, that was not the case with local businesses, Devane said. Companies that had regular contractual payments had been the focus of those efforts, the president said.

"Most we are renegotiating with are contracted," Devane said.

Some local businesses that are owed money by Redlands said no one from the college has contacted them about establishing a payment plan. None was

willing to speak on the record.

One issue cited by auditors that contributed to the college's shortfall was Redlands' procedure in collecting tuition and fees from students. Facing a \$1.8 million balance in unpaid fees and tuition, the report stated college staff relied almost solely on a state program that intercepted income tax refunds to collect unpaid monies. The yield rate of that program averaged less than 8 percent a year, auditors said.

"It did not appear historically that there was much additional effort to collect if a student enrolled but never paid," the report stated.

Devane said while he acknowledged Redlands needed to work on its collection efforts, it wasn't a simple fix. The variety of sources of revenue – from federal grants, to individual payment and corporate sponsorship – caused headaches for staff trying to keep up with payments, he said. That was compounded by Redlands' concurrent enrollment program, which the state was supposed to provide total funding for, he said. More than 700 high school students attended Redlands to attain credit hours without cost to them last year, he said.

"We're only getting 70 percent from the state, and this is going on the fifth year," Devane said. "That's one we're going to keep fighting for."

The report stated enrollment was down 10 percent from the 2010-2011 school year, a number the president said could be misleading. After making a 10 percent jump in 2010-2011, the number had dropped back down. That, coupled with oil and gas industries that had recently moved into the area, employing the largest group that historically comprised Redlands' full-time credit-seeking students – females over 25 years of age attending the college full time.

Devane said a recent contract signed with the Department of Corrections to provide a certification for prison guards would address the shortfall in "regular" students, in particular helping to fill student housing at Cougar Crossing, the college's on-campus apartments. Even without the new contract, Devane said Cougar Crossing remained full and "there's a waiting list for fall."

Auditors were concerned about the combination of enrollment drop and accounting practices at the college.

"An enrollment decline coupled with difficulties collecting tuition and fees will continue to have a negative effect on cash flows if the trend is not reversed," the report stated.

Devane said he and his staff would work to compile an executive summary for regents, to be given to them for their next regularly scheduled meeting in September. The president declined to provide contact information for the regents, citing the short period they had had the auditor's report. A call to Regent Tracey Wills – who cast the lone vote against Redlands' new budget during last week's meeting – was not returned. Regent Charles Beard did return a call, requesting questions be submitted by email.