Howard Community College

Memorandum Regarding Internal Control and Accounting Procedures
For the Year Ended June 30, 2014
Howard Community College

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September 25, 2014

To the Board of Trustees
   and Audit and Finance Committee
Howard Community College
Columbia, Maryland

During the course of our audit of Howard Community College’s (the “College”) financial statements for the year ended June 30, 2014, we observed the College’s significant accounting policies and procedures and certain business, financial, and administrative practices.

In planning and performing our audit of the financial statements of the College as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the College’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph of this letter and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

As a result of our observations, we suggest you consider the following:

**Cycle: Information Technology**

During fiscal 2013, changes were introduced into production that caused data integrity errors. AIS management elected to use an Ellucian utility, in the production environment, to fix the errors without taking the key applications out of service. This solution compounded and accelerated the impact of data integrity errors on customer accounts and financial reporting. Communication to the College’s executives, and the finance
organization was not clear and complete to ensure that all stakeholders understood the potential impact and severity of the situation. We also observed that the IT function may have insufficient resources to perform at an optimum level.

Our recommendation at that time included the performance of a risk assessment including review and improvement of governance structures and processes, quality controls and communication requirements in support of stakeholder objectives.

Management engaged Campus Works, Inc. to perform a comprehensive assessment of the College’s IT operations and has made its recommendations in a report dated August 5, 2014. (The process of risk management is addressed in this report but risk factors were not evaluated as part of assessment. Given the maturity level of the risk management processes in place, we believe this is an appropriate first step.)

At the time of our audit, the report was under consideration for how best to implement those recommendations but no substantial changes in control structure or process had been undertaken. As management considers the recommendations of that report, we encourage management to take proactive steps to implement the plan laid out by Campus Works, Inc. with particular attention to the internal control related items - governance, change control and risk management.

**Management’s Response**

The College implemented several changes to address the data integrity issue and risk management factors that were cited in the 2013 audit prior to and during the assessment completed by Campus Works. The administrative information systems (AIS) department, whose programmers are responsible for the operation and maintenance of the campus Ellucian administrative computing system, incorporated improved change management procedures and communication protocols. Additionally, new enhancements were completed to improve the finance office capability for reports, billing, and communication with AIS.

The AIS department initiated an improved and more detailed change management policy and procedure, which delineates the processes to be followed to provide standardized methods and procedures for altering the administrative system’s production environment. It requires multiple programmers to be involved to provide a check against malicious software from being installed and to prevent system integrity issues. It also requires programmers to document all changes made to the system. This newer policy and procedure provides the programming staff guidance and accountability when making changes to the administrative computing system.

The AIS department also worked through a new policy and procedure for communication protocols for the end-user community. It defined four types of communication requirements that include external, internal, emergency, and standard communications. External communication is intended and formatted for the end users on campus and vendors. Internal communication is intended for the AIS staff and used for the escalations of issues, workflow and change management purposes. Emergency communication is used to address system issues that need an immediate response by programmers and end-users. Standard communication is used for two-way information sharing between the programmers and the user community through email, the helpdesk and verbal contact.
Several changes and improvements have been made that directly impact the finance office including new web intelligence reports, new billing application, improved communication protocols, and providing Ellucian consulting services. Reports for the finance office have been developed utilizing the campus business intelligence system that provide detailed information on cost centers, student billing, deferred revenue, accounts receivable, and general ledger.

The College implemented and is in the process of rolling out to students a new online Ellucian provided student invoice screen that provides clear information about charges, financial aid, payments, payment due dates, deadlines for refunds and withdrawals, and also allows online payments from the same screen. The college also contracted with Ellucian to provide the finance office with quarterly system consulting on site to resolve or improve business processes with the administrative system. A weekly communication log is shared with the finance office, AIS, and area vice presidents that provides status information on system changes and issues that are being addressed.

In response to the Campus Works assessment, the college has reviewed the report and is addressing the key findings that include communication of decision and prioritizing process for information technology (IT) initiatives, project management, and risk management. The report has been recently reviewed by the campus administration and will be available to the campus community on the college’s portal.

The College will review the prioritization of IT projects to determine improvements to the process. The current projects are prioritized by the following criteria (in order of importance): regulatory, system upgrades, security, strategic plan, president/vice presidents’ plan, cross functional and core work. Initiatives usually are brought forward by offices and cross-functional teams to members of the president’s team to determine priorities. Examples of recent and current major projects are: summer term restructuring, student planning, web redesign and upgrades to the wireless network infrastructure. The projects have been inclusive of many offices on campus. The Campus Work’s assessment highlighted that the campus community wanted to better understand how project priority were set and their status. The College is examining its project management methodology to address this concern.

The College has been defining methodology for campus projects that will help the IT staff and end users with defining the scope, goals, resources, and outcomes of their IT initiatives or projects. The college has moved forward with hiring a project manager to assist IT and end-users with this process of planning and once approved executing their projects. The project manager will also assist with communication on the status of an end-user request and once the project is approved and started, the projects progress toward its goals.

The assessment indicates that the College should alter its risk management strategy to offer greater access to the administrative system by third party applications. The college does participate with several external applications such as the learning management system, early alert and judicial system. Each provides cloud services that receive a file from the college’s administrative system on student information. The college currently does not have any applications that provide input files into the administrative system due to security and data integrity risk. Each request by departments for an external third party
vendor application that would require data from the administrative system is reviewed for security risk, federal regulatory compliance, and integrity of the offerings to the college.

The assessment recommendation of office sharing data to improve business processes and to reduce shadow databases will be reviewed to determine the location of the databases and processes to help offices to eliminate their use on campus. A college policy will be developed to define the circumstance, risk level, security, and approval process for offices to use shadow databases, if required.

Annual risk assessments are completed by the information technology departments, which is required and outlined in the college’s IT security plan. The annual assessment is conducted to identify and document any threats that could jeopardize college’s technology and electronic assets. Upon identification of any threats, the information technology staff does initiate actions to reduce the risk or mitigate the consequences of such threats.

The college is always seeking opportunities for improvement and will continue to work through the recommendations of this assessment.

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This communication is intended solely for the information and use of management, the Board of Trustees, Audit and Finance Committee, and others within the College, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the College’s financial statements.

Very truly yours,

BDO USA, LLP