Board of Trustees’
Audit and Finance Committee
Meeting Materials

May 16, 2017
8:30 a.m.
The Rouse Company Foundation Student Services Hall
Room: 401
1. Board members practice respectful dialogue that serves the best interests of the college.

2. Each board member works to integrate servant-leadership into the board culture.

3. Each board member has the opportunity to speak uninterrupted.

4. Board members come prepared – board chair needs to understand what is required and set time and material appropriately.

5. Board chair acts as caretaker for the board – acts as filter, evaluates agenda for time well spent.

6. Board chair speaks for the board to the media.

7. Consent materials are available 10 days in advance; remaining board materials are available seven days in advance.

8. Board members should route any requests for additional information to the board chair or the president at least two business days prior to the board meeting.

9. Email among a quorum of the board must be limited to administrative and informational items and not policy discussions in order to remain in compliance with the Open Meetings Act.
Howard Community College’s
Dragon Principles

We promise to help our students, employees, and community members “get there from here.”

We pledge to...

Be friendly
Be helpful to our students and community
Be considerate of each other

And we pledge to…

Be Fiscally Responsible
1. Meeting with College Auditors and Audit Areas for Review

2. Modification of Small Procurement Threshold Amount

3. Modification of Purchases Report

4. 2017 Compensation Study

5. Request to Reduce Tuition for Dually Enrolled High School Students Residing in Howard County

6. Other

This is the last meeting of the audit and finance committee scheduled for FY17.
1 – Meeting with College Auditors and Audit Areas for Review

Background: Each year, the audit and finance committee determines special areas for review during the audit. A long-term schedule was developed by the audit and finance committee of areas to be reviewed along with the timing of future audits. At the March 17, 2017, audit and finance committee meeting, this schedule was reviewed again. The list of all areas follows this cover page.

Based on the audit and finance committee meeting, and from the attached schedule, the Laurel College Center (LCC) is being recommended for special review.

It should be noted that an outside audit of auxiliary controls related to the Barnes and Noble contract, previously recommended to the audit and finance committee for completion in FY17, is being requested for delay until FY19. The firms contacted about this review have recommended that the college provide three years of data prior to performing this work. Barnes and Noble started with the college in November 2015.

Not on the schedule, but recommended by the audit and finance committee is the review of controls over wire transfers.

The auditors will conduct the normal internal control review of basic areas in addition to paying attention to these special areas.

Graylin Smith, engagement partner, and Minyin Hart, audit manager, of SB and Company, LLC will be in attendance.

Purpose: To discuss the upcoming audit and checklist to ensure that in addition to the basic review of internal controls by the auditors, other areas will be covered on a periodic basis

Timeline: FY17 audit

Recommendation

The administration requests that the audit and finance committee make a final decision on special areas for review to recommend to the full board at its May 31, 2017, meeting.

Compliance: This request is in compliance with Board Policy: Asset Protection.
Areas for the Auditors to Review

Cash controls primarily for areas outside of the cashier's office
Various areas throughout the college handle cash, which eventually is deposited at the cashier's office. This may include the theatre, bookstore, library, continuing education, and sporting events. It is assumed that when the auditors review college internal controls, a thorough review of the procedures in the cashier’s office would normally be done. However, how cash is handled in areas outside of the cashier’s office would also be important for the auditors to review periodically.
(reviewed in FY16 audit)

Auxiliary controls
Auxiliary consists of the bookstore and food service reporting. The Children’s Learning Center (CLC) is an auxiliary, but all cash handling for the CLC is through the cashier’s office. (The bookstore as an in-house entity was reviewed in FY15. The bookstore has since became outsourced to Barnes and Noble. For food service, an outside audit of Sodexo is currently being solicited for firms specializing in food service operations to review FY16. For the CLC, no review is necessary since it is handled by cashier’s office.) The administration originally recommended that the Barnes and Noble contract controls be reviewed with the FY17 audit. However, after contacting vendors, three years of data is required for this review, and the administration is recommending that this audit be done in FY19.

Inventory systems throughout the college
Each year, the college takes an inventory of capital equipment and furniture and every other year an inventory of all non-capital items (anything less than $5,000, e.g., computers, televisions, chairs, etc.). Individuals throughout the college are designated as “inventory monitors” and it is their responsibility to update and check the inventory in their areas. These inventory listings are then submitted to the finance office for review and compilation of the assets of the college. Although test checks of these areas are done, a review of the inventory submitted and the procedures followed helps the college ensure that it has accurately maintained college assets.
(reviewed in FY15 audit)

Online purchasing
The online purchasing system is now in place at the college. Although continuing training sessions are held with the cost center mangers, there is always room for improvement. A review of this area for any weaknesses should be conducted periodically.
(reviewed in FY16 audit)

Laurel College Center (LCC) reporting
Howard Community College and Prince George's Community College operate the LCC. Statements are generated for the operations at the LCC by each school and a combined statement is issued periodically. Consideration should be given to review the reporting procedures for this entity every two to three years.
(reviewed in FY14 audit) The administration recommends that the Laurel College Center controls be reviewed with the FY17 audit.
Payroll
As part of the basic audit procedures, entering new employees into the system and on-going payroll recordkeeping are considered part of the basic internal controls to be reviewed. However, a more in-depth review of the area should be conducted periodically to ensure that there are no weaknesses.
(reviewed in FY16 audit)

Procurement cards - purchasing controls for the use of purchasing cards
Howard County Government and the Howard County Public School System currently use procurement cards throughout their organizations. The college has developed policies and procedures for the use of procurement cards, and would like them reviewed periodically to ensure that the proper controls are in place.
(reviewed in FY15 audit)

Information technology
This area should be considered a part of the basic internal control review. However, as the college is truly dependent on this mode of operation, a more in-depth review of the area should be done periodically to ensure that access is limited to authorized users and that there are no weaknesses that should be addressed. Based on the auditors’ recommendation at the end of FY13, a special review of information technology was conducted in FY14, followed by a routine audit in FY16.
(reviewed in FY16 audit)

Board reports on policy compliance
The board has established policies with which the administration must comply. The administration issues periodic reports to the audit and finance committee in compliance with these policies. A review of these reports for compliance with the board policy should be done periodically to ensure accurate reporting.
(reviewed in FY15 audit)

Review of enrollment data and reporting
Although enrollment data reports are part of the Colleague system, separate tests should be run in this area to ensure the accuracy of data being reported. Currently, both the registrar's office and continuing education and workforce development division enter enrollment data into the system. The internal controls for entering accurate data, as well as assurances that in-county and out-of-county data are accurately reported should be reviewed. The auditors are requested to test this area as part of their annual audit of the CC-4. The CC-4 is the Annual Financial Report to the Maryland Higher Education Commission, which includes verification of the college’s enrollment that is used to calculate state funding.
The following item is a listing of the areas by date:

<table>
<thead>
<tr>
<th>Area</th>
<th>Last Review</th>
<th>Comments</th>
<th>Future Reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Controls</td>
<td>FY16</td>
<td>• Suggest every other year for an in-depth review.</td>
<td>2018 2020</td>
</tr>
<tr>
<td>Food Service (Auxiliary)</td>
<td>FY14</td>
<td>• Sodexo has the contract for food service. Sodexo operations are NOT part of the college’s books, although HCC does pay to have the company run the food service. An outside audit specifically for Sodexo is currently being solicited to review FY16 by a firm specializing in food service operations.</td>
<td>2018 2020</td>
</tr>
<tr>
<td>Bookstore (Auxiliary)</td>
<td>FY15</td>
<td>• Suggest every 2-3 years. • Barnes and Noble has the contract for the bookstore. Their operations are not part of the college’s books. An outside audit, similar to what is done for the food service operations will be commissioned to be done in fiscal year 2019. The administration recommends that the Barnes and Noble controls be reviewed with the FY19 audit.</td>
<td>2019 2019</td>
</tr>
<tr>
<td>Inventory</td>
<td>FY15</td>
<td>• Suggest every 3-4 years for an in-depth review. • Ask auditors to test every year as part of their audit procedures.</td>
<td>2018 2021</td>
</tr>
<tr>
<td>Online Purchasing</td>
<td>FY16</td>
<td>• Suggest every 2-3 years for an in-depth review.</td>
<td>2019 2022</td>
</tr>
<tr>
<td>Laurel College Center</td>
<td>FY14</td>
<td>• Suggest every 2-3 years for an in-depth review. • Ask auditors to test every year as part of their audit procedures.</td>
<td>2017 2020</td>
</tr>
<tr>
<td>Payroll</td>
<td>FY16</td>
<td>• Suggest every 2-3 years for an in-depth review. • Ask auditors to test every year as part of their audit procedures.</td>
<td>2018 2020</td>
</tr>
<tr>
<td>Procurement Cards</td>
<td>FY15</td>
<td>• Suggest every 2-3 years for an in-depth review. • Ask auditors to test every year as part of their audit procedures.</td>
<td>2018 2021</td>
</tr>
<tr>
<td>Information Technology</td>
<td>FY16</td>
<td>• Suggest every 2-3 years for an in-depth review. • A special review of information technology was done in FY14 by a firm specializing in information systems; a routine review followed in FY16.</td>
<td>2018 2020</td>
</tr>
<tr>
<td>Board Reports on Policy Compliance</td>
<td>FY15</td>
<td>• Suggest every 3-4 years.</td>
<td>2019 2024</td>
</tr>
<tr>
<td>Review of Enrollment Data and Reporting</td>
<td>Annually as part of the audit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2 – Modification of Small Procurement Threshold Amount

**Background:** Since 2012, Maryland’s procurement system has been analyzed by the Board of Public Works, the Department of Legislative Services, the One Maryland Blue Ribbon Commission, and the Governor’s Commission to Modernize State Procurement. This past legislative session, the General Assembly approved a number of administration bills as part of comprehensive procurement reform, including SB311/HB426, which raised the small procurement threshold from $25,000 to $50,000. The increase in threshold means that formal solicitations are not required to be performed until the purchase is reasonably expected to exceed $50,000. It is anticipated that the governor will sign this bill into law as it was submitted by the administration.

The statutes governing community college procurement are contained within the Education Article, and are generally outside of the procurement requirements for State units. However, the threshold for formal solicitations by community colleges is tied to the small procurement threshold established under the State Finance and Procurement Article. As a result, an increase by the State of the small procurement threshold to $50,000 means that the college will also be able to increase the threshold for formal solicitations. The legislation also removes the statutory preference for invitations to bids and provides for the various methods to be used at the discretion of the procurement officer.

Presuming that the governor signs the bill, the statute will not take effect until October 1, 2017. The administration is providing this update about legislation to the committee to begin a conversation about a possible modification of the college’s procurement policies and procedures. Any formal changes to the policies or procedures are anticipated to be submitted for review and recommendation at the September meeting of the audit and finance committee and then forwarded to the board of trustees for approval at the October meeting.

**Purpose:** To make the board aware of the legislation that passed this session

**Recommendation**

This item is for discussion only and requires no committee action at this time.
3 – Modification of Purchases Report

**Background:** In 2010, the board of trustees required the administration to provide quarterly reporting on all purchases over $25,000. These reports were provided to the audit and finance committee for the past five years. At the audit and finance committee meeting on November 11, 2015, the committee modified this requirement and requested that the administration only report on those items that the president had approved as a change order for contracts originally awarded by the board as a result of a formal solicitation.

The board approval dates indicated on the report direct the reader back to the board materials for more specific information about the procurement. Information is also provided to indicate the date of presidential approval, the reason for the change order, and the associated amount of the change order.

**Purpose:** To disclose approved presidential change orders to contracts awarded by the board through a formal solicitation

**Timeline:** January 1, 2017, through March 31, 2017

**Recommendation**

The purchasing reports are an information item and do not require committee or board action.

**Compliance:** The purchasing reports are in compliance with college procedure 62.05.03, Purchasing Authority.
<table>
<thead>
<tr>
<th>Solicitation Title</th>
<th>Date of Board Approval</th>
<th>Reason for Change Order</th>
<th>Amount of Change Order</th>
<th>Date of Presidential Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services to Design and Develop the East Garage</td>
<td>8/27/14 and 5/27/15</td>
<td>Additional services to oversee the emergency repair to panels on the existing garage in the locations where the new garage structure ties-in to the original garage structure.</td>
<td>$3,100</td>
<td>3/20/17</td>
</tr>
</tbody>
</table>
4 – 2017 Compensation Study

Background: When the administration prepared the initial fiscal year (FY) 2018 budget proposal, funding for the implementation of the recommendations of the full compensation study at $250,000 was included. However, after the college received reductions in the County Executive’s FY18 proposed budget, the administration made decreases to the college’s FY18 proposed budget. One of those reductions was to spread the implementation of the recommendations of the compensation study over two years instead of doing it in one year, as originally planned.

Now that the fiscal year is coming to an end, the administration learned that the college will receive more money from the State of Maryland for the Statewide and Health Manpower Grant program than anticipated and there is some funding available from salaries and other spending. The administration would like to use these unanticipated funds to fully fund the implementation of the recommendations of the compensation study in FY18 as opposed to spreading it over two years. In the reduced FY18 budget that the board approved in April 2017, $125,000 was budgeted for the program in FY18. However, the total program is anticipated to be approximately $270,000, so an additional $145,000 would be carried over to fully fund the study recommendations in FY18.

Purpose: To obtain board approval to fund the entire compensation study recommendations in FY18 instead of spreading funding for the study over two years

Timeline: Effective July 1, 2017

Total: Approximately $270,000

Recommendation

The administration requests that the audit and finance committee recommend to the full board that implementation of the recommendations of the compensation study be funded in FY18.

Compliance: This request is in compliance with board bylaws, Article II, Responsibilities and Powers of the Board of Trustees: Funds and Maryland Annotated Code, Education, 16-103, Powers of Board of Trustees and administrative procedure 61.02.01, Internal Governance.
5 – Request to Reduce Tuition for Dually Enrolled High School Students Residing in Howard County

Background: As a means to broaden access to higher education for high school students and to encourage dual enrollment, many Maryland community colleges offer a 50 percent tuition waiver to local home school and private school students. Through a recent survey conducted by Howard Community College (HCC) and through a review of websites, the college identified the following Maryland community colleges that currently offer a 50 percent tuition waiver to home school and private school students who are county residents: Allegany College, Anne Arundel Community College, Carroll Community College, College of Southern Maryland, Hagerstown Community College, and Prince George’s Community College. In addition, the Community College of Baltimore County offers a 50 percent discount to all Maryland high school students, regardless of where they live. Frederick Community College offers a discounted rate of $90 per credit hour to Frederick County high school students taking classes at the college.

Previously, the Board of Trustees of Howard Community College approved a 50 percent discount for Howard County Public School System (HCPSS) students effective spring 2014. HCC’s spring dual enrollment headcount from HCPSS has grown by nearly 545 percent since then. HCC’s fall dual enrollment headcount from HCPSS has grown by 123 percent. During the same time frame, HCC’s dual enrollment for home school and private school students has remained constant or declined slightly. HCC attributes this lack of growth to lower tuition rates home school and private school students pay at other Maryland community colleges, even as out-of-county residents. For example, it would be less expensive for a Howard County home school student to take classes at the Community College of Baltimore County than at HCC.

The anticipated cost to the college for this waiver is approximately $55,000 annually. It should be noted that the college is able to count these students in its full-time equivalent (FTE) enrollment, thereby receiving funds from the State of Maryland. With a waiver for home school and private school county residents, the college anticipates an enrollment increase in home school students.

Purpose: To obtain board approval to reduce tuition by 50 percent for high school students who reside in Howard County and are dually enrolled in credit classes at HCC during the fall and spring semesters

Timeline: Beginning fall 2017
Recommendation

The administration requests that the audit and finance committee recommend to the full board that the college reduce tuition by 50 percent for high school students who reside in Howard County and are dually enrolled in credit classes at HCC during the fall and spring semesters.

Compliance: This request is in compliance with college policy 50.06.01, Tuition, Fees, and Waivers.