

Montgomery County Board of Education
Audit Committee Minutes
May 14, 2002

The meeting was called to order by Mr. Stephen Abrams at 4:50 p.m. with the following people present: Stephen Abrams (chair), Patricia O'Neill (member), Larry Bowers, Sue DeGraba, Bob Doody, G. Wesley Girling, Phil McGaughey, Marshall Spatz, Steve Watts, Lori-Christina Webb, Becky Gibson, and George Margolies.

Review of Policy EIE (Employee Benefit Trust Fund)

Members of the Audit Committee voted to recommend to the Policy Committee to rescind this policy. A suggestion was made by Patricia O'Neill to rescind the policy in conjunction with a new resolution so as not to alarm retirees. Mr. Abrams disagreed that that will be necessary. Instead, he suggested that Mr. Bowers write a memo to the Policy Committee to explain why it should be rescinded. Section B1 and B2 of the policy are inaccurate.

Review of Policy DAA (Fiscal Responsibility and Control)

The original policy was approved in 1972. However, the \$10,000 amount (as the threshold for seeking Board approval) is too low, taking into account inflation. Currently \$10,000 would equal about \$65,000 or \$70,000. Another change being recommended is to reformat the policy by changing the technical wording without changing the language. It was recommended to hold over the policy for changes in wording and increasing the threshold to \$100,000, after which it will be forwarded to the Policy Committee.

Independent Activity Funds

A suggestion made by a Board member was to review the policy governing Independent Activity Funds for Schools. It was agreed that copies of regulation/policy would be circulated to Audit Committee members for a possible item on the next agenda, for recommendation to the Policy Committee.

External Auditor: Status Report of Arthur Andersen

The unit at Arthur Andersen that was performing the MCPS audit was bought out by Ernst and Young. A discussion was had regarding continuing the remaining years of Arthur Andersen's contract with Ernst and Young or placing the contract on bid. A recommendation was made by members of the committee to keep Ernst and Young if they will honor the remaining two years of the six-year contract at current costs. Ernst and Young have contracted with individual employees from Arthur Andersen. Sue DeGraba will check with Ernst and Young about honoring the remaining years of the current contract, rather than the remainder of the year.

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Implementation of the New Financial Reporting Model for Governments is proceeding on schedule, without utilizing outside resources.

Retirement Fund Update

A discussion took place about the stability of the current investment allocations in light of the declining stock market. Staff believes the international investments will come back and that this is just the downside of the 1995–1999 period, which had a considerable increase in profits. Even with the recent decline, investments have provided average annual returns very near their historical average for the 5-year period ending December 2001.

The meeting adjourned at 5:18 p.m.