

Montgomery County Board of Education Audit Committee Minutes

November 3, 2004

A meeting of the Montgomery County Board of Education Audit Committee was held at the Carver Educational Services Center in Room 120 on November 3, 2004. In attendance were:

Members: Mrs. Patricia B. O'Neill, Chair
Mr. Gabe Romero, Member

Guests: Mr. Kevin Davis, Ernst and Young
Ms. Christine Palacios, Ernst and Young
Mr. Doug Rowe, Mercer Human Resource Consulting

Staff: Mr. Larry A. Bowers, Chief Operating Officer
Mr. John Q. Porter, Deputy Superintendent for Information and Organizational Systems
Ms. Sue DeGraba, Chief Financial Officer
Mr. Sherwin Collette, Executive Assistant to the Deputy Superintendent for Informational and Organizational Systems
Mr. Robert Doody, Controller
Mr. G. Wesley Girling, Director, Benefits Strategy and Vendor Relations
Mr. Philip G. McGaughey, Internal Auditor
Ms. Laura Steinberg, Director, Department of Reporting and Regulatory Accountability
Mr. Roland Ikheloa, Ombudsman/Staff Assistant

The meeting was called to order by Mrs. O'Neill at 5:35 p.m.

External Auditor Report of the Comprehensive Annual Financial Report

Mr. Davis presented an overview that included Ernst & Young's approach to the audit and the results. The audit was conducted in accordance with Generally Accepted Auditing Standards, Government Auditing Standards, and the AICPA Audit Guide, "Audits of State and Local Governments." The report covered password security and testing of the payroll system, and no irregularities were found during the testing. The three recommendations for the current year were continued focus on consistency of supervisor approvals, enhanced segregation of duties over warehouse inventory, and a strengthening of password parameter restrictions.

Management Letter

The audit committee reviewed Ernst & Young's management letter and staff responses. The management letter concluded that no fraud or illegal action were found during this fiscal year.

Actuarial Valuation of the MCPS Retirement Trust

Mr. Rowe presented the committee with the annual actuarial valuation of the MCPS Retirement Trust. In the past three years, returns have been consistent with actuarial assumptions. Although there was some underperformance by a few of the school system's fund managers, the underperformance was not much lower than the experience of the market. The actuarial

consultants shared that the report of current assumptions is on the conservative side and contribution requirements are up but not as much as expected due to a good investment year.

The meeting was adjourned at 6:36 pm.

Recorder: Becky Gibson