

**Montgomery County Board of Education
Audit Committee Minutes**

November 17, 2005

A meeting of the Montgomery County Board of Education Audit Committee was held at the Carver Educational Services Center in Room 120 on Thursday, November 17, 2005. In attendance were:

Members: Mr. Steve Abrams, Chair
Dr. Charles Haughey, Member
Mr. Gabe Romero, Member

Guests: Doug Rowe, Mercer Human Resource Consulting

Staff: Mr. Larry A. Bowers, Chief Operating Officer
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
Mr. George Margolies, Staff Director

The meeting was called to order by Mr. Abrams at 6:05 p.m.

Actuary Valuation of the MCPS Retirement Trust

Mr. Rowe reviewed with Audit Committee members the school system's actuarial valuation. Annual actuarial valuations determine recommended contributions and measure the system's actuarial soundness and prior year experience. In June, the Board agreed to make changes to the assumptions. These assumptions would give the school system the ability to be more conservative.

Mr. Bowers briefed the Audit Committee on the Government Accounting Standards Board (GASB) Statements 43 and 45, Financial Reporting for Other Post Employment Benefits Update (OPEB) plans, requiring governmental units to disclose the liability for the cost of health benefits current employees and retirees will receive during retirement. The financial reporting on this has been pushed back to begin in 2008. The County Council's Management and Fiscal Policy Committee will be reviewing this issue on Monday, November 28, 2005. MCPS staff agreed to keep Audit Committee members informed of any changes or updates.

Annual Internal Audit Report

Mr. McGaughey presented the committee with the Annual Report of the Internal Auditors for Fiscal Year 2005. He also included the audit work plans for Fiscal Year 2006, as requested by the Audit Committee chair. During FY 2005 the internal audit unit performed 92 audits at various schools and centers as well as training of principals and

financial assistants. The unit recommended to the Audit Committee that they could use two additional full time auditors to meet the requirements that every special center and high school is audited annually, middle schools every 18 months, and elementary schools every three years. Another recommendation provided was more training. AICPA standard is 80 hours of training in the field of auditing to be proficient, which will help MCPS drive external audit costs down. The school system also is looking at options in providing vending services to schools and eliminating automatic contracts.

Use of Proxy or Directed Voting by Board of Education

Ms. Sharon Cox, Board member, joined the committee meeting as an observer.

The Audit Committee discussed ways for it to become more “public friendly.”

Mr. Margolies reviewed his research on use of proxy or directed voting by Board of Education members. According to Mr. Margolies, there is no language in the Education Article of the Annotated Code of Maryland, the State Board’s regulations codified in Title 13A of COMAR, and the Open Meetings Act that addresses this issue.

The committee looked at how they can be involved in the process without being physically there. Currently, four jurisdictions are using speaker phones: Carroll (has used in the past, but not as a deciding vote), Frederick, Baltimore, and Prince Georges counties.

With regard to confidentiality issues of closed session items such as appeals, staff was asked to check with the Montgomery County court system to see what they are using for attorney conferences and bring recommendations to the Audit Committee.

The meeting was adjourned at 7:25 p.m.

Recorder: Becky Gibson