

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

February 2, 2006

A meeting of the Montgomery County Board of Education Audit Committee was held at the Carver Educational Services Center in Room 120 on Thursday, February 2, 2006. In attendance were:

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

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Ms. Susanne G. DeGraba, Chief Financial Officer
 Mr. Phillip J. McGaughey, Jr., Internal Auditor
 Mr. G. Wesley Girling, Director, Benefits/Vendor Relations
 Mr. John M. Kevin, Investment Specialist
 Mr. Roland Ikheloa, Staff Assistant/Ombudsman

The meeting was called to order by Mr. Abrams at 5:38 p.m.

The chairperson, with consent of the committee members, agreed to amend the agenda by adding a third item to look at the Inspector General's Draft Audit Report of Seven Locks Elementary School and a review of a second legal opinion of the draft report.

Approval of the 403(b) and 457(b) defined contribution provider RFP 1143.2

With new IRS regulations planned to take effect January 1, 2007, and in compliance with the new regulations, MCPS looked at reducing the number of deferred contribution providers to just six. By consolidating the number of providers, MCPS would be able to negotiate better deals for employees and provide better educational outreach, which would provide cost savings. MCPS would be able to oversee transfer contributions to ensure accuracy.

The recommendations are to renew 6 providers: Fidelity, TIAA-CREF, Lincoln Financial, T. Rowe Price, AIG/Valic, and ING. For employees not currently using one of these providers, monies already invested will be able to remain. However, future contributions would need to be made with an approved provider. This plan of consolidation was well-received by the three employee unions.

The Audit Committee decided to bring these recommendations to the full Board and to provide information jointly with each union to those MCPS employees impacted by the changes. Letters will be going out between February 2, 2006, and February 14, 2006, with the proposed changes.

Adoption of Amended and Restated Tax-Sheltered Savings 403(b) Plan and Deferred Compensation 457(b) Plan Documents

The Audit Committee looked at revising MCPS's tax-sheltered savings and deferred compensation plans in order to comply with new IRS regulations. In addition, the new changes would allow the superintendent to make changes based on new laws quickly, to minimize the disruption when new laws are enacted. The Audit Committee agreed to bring these documents to the full Board for approval.

Draft Report of the Inspector General and Opinion of Second Party Attorney

Mr. Bowers was asked to seek a second opinion on the Inspector General's Draft Report. The second opinion from Knight, Manzi, Nussbaum and LaPlaca was received and brought to the committee. This second opinion confirms the opinion given by Ms. Bresler, General Counsel, Reese and Carney. Both opinions are attached to these minutes.

The committee looked at responding to the Inspector General's report in several different ways. The Audit Committee decided to send a letter to the County Council regarding the Inspector General's authority to audit MCPS.

The meeting was adjourned at 6:50 p.m.

Recorder: Becky Gibson