

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

**February 20, 2007**

A meeting of the Montgomery County Board of Education Audit Committee was held at the Carver Educational Services Center in Room 120 on Tuesday, February 20, 2007. In attendance were:

Members: Mr. Christopher Barclay, Chair  
Mrs. Patricia O'Neill, Member

Guests: Mr. George Fallon, Clifton and Gunderson  
Mr. Malcolm Taylor, Clifton and Gunderson  
Ms. Joy Napier (Joyce), DLA Piper

Staff: Mr. Roger Pisha, Audit Supervisor  
Mr. John Kevin, Investment Specialist  
Mr. Robert Doody, Controller  
Ms. Sue DeGraba, Chief Financial Officer  
Mr. Wes Girling, Director I, Benefits Strategy and Vendor Relations  
Ms. Grace Bestland, Development Project Manager

Mr. Steve Abrams, Member, was absent.

The meeting was called to order by Mr. Barclay at 5:30 p.m.

**Amended and Restated Trust Agreement for the Montgomery County Public Schools Retirement System Trust and Obligation of Post Employment Benefits Plan Trust**

Under GASB 45, governmental employers must report expenses related to Obligation of Post Employment Benefits Plan (OPEB) on financial statements. The audit committee members looked at both the requirements of GASB 45 and the benefits of pre-funding OPEB. Staff had also consulted with other government agencies on how they are complying with GASB 45. The committee was given three options to look at in order to comply with trust requirements for pre-funding under GASB 45. The committee agreed with option three (3) to use a combined trust with pension assets.

This recommendation will be sent to the full Board for vote at its March 13, 2007 meeting.

**Updating Trust Agreement for the Adoption of the Uniform Management of Public Employees Retirement Systems Act**

Mr. Bowers and Mr. Kevin discussed with the members of the committee what changes need to be made to the school system's existing trust agreement in order to conform to certain provisions that the Governor signed into law in April 2005. Many of these provisions are already incorporated into the existing trust agreement. Some of the provisions are being done by the

system as a matter of practice. The audit committee members agreed to keep the prudent investor rule, which the current trust agreement follows and to incorporate the specific provisions as adopted by Maryland.

The members agreed to this recommendation and agreed that it should go to the full Board for approval.

#### **Extension of External Audit Contract**

On April 12, 2005, Clifton Gunderson LLP was approved by the Board as the successor to Ernst & Young LLP, for the 2006–2007 Fiscal Year. The contract with Clifton Gunderson is renewable for two more two-year periods this year.

MCPS staff brought to the committee a recommendation to renew the contract with Clifton Gunderson LLP. The committee members discussed the performance of Clifton Gunderson LLP as well as timing issues in relation to the transition to the new Financial Management System (FMS). The members of the committee agreed to bring a recommendation to renew the contract with Clifton Gunderson LLP to the full Board at its March 13, 2007, meeting.

#### **External Auditor Review of Financial Management System**

MCPS staff had requested that Clifton Gunderson LLP develop a proposal to conduct a review of the new Financial Management System. The technical proposal was brought to the audit committee members to review. The members discussed the new FMS system and reviewed the proposal submitted by Clifton Gunderson LLP as additional duties to their contract during this transition period. The members recognized that there are risks involved with changing a management system; however, the new system will combine several systems into one robust system. Members of the committee agreed to recommend to the full Board that Clifton Gunderson LLP conduct an audit review of the new FMS system.

The meeting was adjourned at 6:35 p.m.

Recorder: Becky Gibson