

Montgomery County Board of Education
Fiscal Management Committee Meeting

September 13, 2010

A meeting of the Montgomery County Board of Education Fiscal Management Committee was held at the Carver Educational Services Center in room 120 on Monday, September 13, 2010. In attendance were:

Members: Mr. Christopher Barclay, Chair
Mr. Philip Kauffman, Member
Mr. Michael Durso, Member

Staff: Mr. Larry A. Bowers, Chief Operating Officer
Ms. Susanne DeGraba, Chief Financial Officer
Mr. Roger Pisha, Supervisor, Internal Audit Unit
Mr. Richard Johnstone, Director I, Benefits Strategy and Vendor Relations
Dr. Marshall Spatz, Director, Management, Budget and Planning
Mr. Robert Doody, Controller, Division of the Controller
Ms. Laura Steinberg, Staff Assistant, Board of Education
Mr. Stanislaw Damas, Director, Department of Association Relations

Guests: Mr. Tom Hipp, MCT Federal Credit Union
Ms. Kristine Mathey, MCT Federal Credit Union

The meeting was called to order by Mr. Christopher Barclay, chair, at 10:04 a.m.

Approval of June 16, 2010 Meeting Minutes

The meeting minutes of June 16, 2010, were approved as submitted. (Mr. Durso was not in attendance for approval.)

Reports

Pharmacy Vendor Audit Final Report

MCPS staff shared preliminary findings from the external performance audit of the pharmacy benefit and drug rebate operations. The findings show that Caremark is performing well and that claims are being handled properly. Committee members asked about the value of such an audit, absent compelling issues. Staff said that it is a best practice to conduct this type of audit but it is not a legal requirement of the system. Medical programs have external audit requirements and we have a right to get that report and those findings may be sufficient.

Representatives from Clifton Gunderson were unable to attend this meeting and the final findings will be given at the November Fiscal Management Committee Meeting. Staff will come back to the committee with a recommendation on whether to conduct a performance audit on medical programs.

Internal Audit Year End Report

The Internal Audit Unit provided an overview of the *Annual Report of the Internal Auditors, Fiscal Year 2010*. The external audit contract with Clifton Gunderson will expire in June 2011. The RFP process for a new contract will begin in November 2010.

Audits of Independent Activity Funds were performed at 82 schools during FY 2010. Among the most frequently encountered conditions leading to recommended improvements included funds not turned over promptly to the financial agent, purchases not approved in advance by the principal, bank statements not reviewed by the principal and inadequate record keeping of procurement card purchases.

In addition to reviewing payroll operations, cafeteria operations, and cash operations, the Internal Audit unit provided assistance to school and central office managers by conducting training sessions, as well as fielding approximately 100 calls and emails per week.

Committee members reiterated their ongoing desire to have each school's Independent Activity Fund audit, including the principal's response, available on the web and requested that staff come back with an implementation plan.

Montgomery County Teachers Federal Credit Union Partnership

Two representatives from the Montgomery County Teachers Federal Credit Union (MCTFCU) briefed the committee members on their efforts to build on their partnerships with MCPS staff. In response to the fiscal climate, the Credit Union has identified low-cost opportunities for specialized products to serve MCPS staff. Other examples include establishing of an advice hotline, a 0% loan for 90 days, in lieu of tapping retirement funds. Committee members were interested in MCTFCU partnering with MCPS to design financial literacy courses, credit card management, and financial planning for students, as well as staff.

Health Care Legislation Impact on MCPS Plans

Staff shared that the FY11 estimated costs of implementing coverage of dependents up to age 26 will be approximately \$1.1 million based on the assumption that 1,000 of the 3,000 eligible dependents return to their parents' plan. The counties experience was that half of the dependents came back, however, that included full-time students which MCPS already covers in their plan.

Retirement*36-Year Cap Recommendation*

MCPS staff recommended to the committee that the pension contribution deductions to the MCPS Core and Supplement Retirement Plans cease once an employees reaches 36 years of eligible service. Employees do not earn any additional service credit beyond their 36 years of service. The committee voted in favor of the recommendation which will be brought to the full Board for final action.

OPEB Funding & Other County Issues

MCPS Staff shared with the committee that an actuarial study of OPEB is done at least every two years and that this study is being conducted this year. Staff will come back to the committee in November with a recommendation, which will most likely include resuming OPEB payments.

Discussion of Upcoming Negotiations

MCPS Staff said that the full Board will be briefed during an October closed session. However, staff shared that negotiations will be challenging and limited to economics.

Updates*Financial Manual*

Fourteen of twenty-two chapters have been published with two more being published later this month. Three more chapters are at the beginning of the process. The annual update process will begin in November and chapters will continue to be updated every month, as needed.

OLA Audit Recommendations Progress Report

The last follow up item to the OLA Audit Recommendations will be going to the Executive Leadership Team, and a travel memorandum will be issued later this month.

FY 2011 Operating and Capital Budget

Staff informed committee members that internal operating budget reviews have begun, that the PTA and Unions are involved, and that regardless of the fiscal climate, the Board is obligated to recommend a Maintenance of Effort budget. Committee members asked about a freeze memo and staff said that most likely there will be one sooner rather than later.

Staff indicated that the one item to expect in the Capital Improvement Plans will be related to WSSC requirements regarding fat, oil, and grease in waste water and shared that construction bids are still coming in low.

Summary of Actions and Follow-ups

- 1) Pharmacy Vendor Audit with the External Auditors
- 2) Future update on the MCT Federal Credit Union partnership
- 3) Continue updates on impact of health care legislation
- 4) Recommendation to endorse the 36 year cap
- 5) Cost of Living Adjustment issue to the committee
- 6) OPEB
- 7) Closed session issue for negotiation
- 8) Continue to receive updates on the Financial Manual
- 9) Discussion on publishing the IAF reports
- 10) Discussion on OLA recommendation for organization change of the internal auditors
- 11) Comprehensive list of programmatic and financial audits.

The meeting adjourned at 12:13 p.m.

Recorder: Becky Gibson