

**Montgomery County Board of Education  
Fiscal Management Committee Meeting**

**September 12, 2011**

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 12, 2011. In attendance were:

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

Staff: Mr. Larry A. Bowers, Chief Operating Officer  
Mrs. Susanne DeGraba, Chief Financial Officer  
Mr. Roger Pisha, Supervisor, Internal Audit Unit  
Mr. Jonathan Grabel, Chief Investment Officer, Chief Financial Office  
Ms. Shafeena Yunus, Senior Specialist, Insurance and Retirement, Financial Services  
Ms. Laura Steinberg, Staff Assistant, Board of Education  
Dr. Marshall Spatz, Director, Management, Budget and Planning  
Mr. Robert Doody, Controller, Division of the Controller

The meeting was called to order by Mr. Philip Kauffman, chair, at 10:05 a.m.

**Approval of May 9, 2011 Meeting Minutes**

The meeting minutes of May 9, 2011, were approved as submitted.

**Introduction of Jonathan Grabel, Chief Investment Officer**

The Montgomery County Public School's Chief Financial Officer introduced to the committee the newly hired Chief Investment Officer, Jonathan Grabel. He shared his background, including 13 years of experience with a private equity firm in New York. Among his responsibilities is to serve as primary staff liaison to the MCPS Employees' Retirement and Pension System and Other Post Employment Benefits Board of Investment Trustees and to serve as program director for the defined contribution plan. As a recent appointee to the newly created Consolidated Retiree Health Benefits Trust, he said he is prepared to ask the hard questions that need to be asked given the challenging environment surrounding the creation of the Trust.

The Committee members welcomed Mr. Grabel to MCPS.

## Updates

### *MCPS Employees' Pensions and Actuaries*

MCPS staff informed the committee that Mercer Human Resources Consulting has indicated that they may discontinue work in the area of public pension valuations. They will honor the existing contract with MCPS but possibility for renewal is in question.

### *Montgomery County Projects – Office of Legislative Oversight (OLO)/Inspector General*

MCPS staff shared that the OLO project is primarily focused on looking at Category 12 components whereas the Inspector General is looking at the alignment between reporting structures and budget development. Staff is benchmarking with other districts to see how they handle constraints on budget development given the fluid nature of financial data.

MCPS staff is expected to have a recommendation for the committee.

The Chief Financial Officer also reported that the task force convened by the Montgomery County Council to look at health care costs is expected to report to the Council in November. Among the key concerns is the issue of combining benefits, which would have huge implications for collective bargaining positions.

MCPS staff will keep the committee informed on the progress of the task force.

### *Charter Schools Business Processes*

MCPS staff gave the committee an update on the charter schools business processes. A work group that is assisting in developing the contract with Community Montessori is looking at an array of business processes and policies (payroll, IAF funds, procurement, food services, transportation, maintenance of building, etc.). Of immediate concern is how to address and resolve the complex challenges associated with including a charter school in the school systems' budget processes. Staff is currently looking at contracts from other school districts with charter schools to see how they have been handling the budget processes and if they are working successfully. The current time frame is to have a contract by the end of September.

The committee members requested continual updates to monitor the process.

### *Financial Manual*

MCPS staff reported that all 22 chapters of the financial manual are complete. The manual will be adjusted annually and is currently being used in financial training. The Fiscal Management Committee members congratulated staff on the completion of the Financial Manual.

**Internal Auditors***Year End Report – FY 2011*

The Internal Audit Unit (IAU) provided an overview of the *Annual Report of the Internal Auditors, Fiscal Year 2011*. The report outlines what the IAU focused on from July through June, which included site audits in the elementary and high schools, operational audits in cafeterias, and procurement card expenditures. They also looked at processes, bids, individual contracts, and conducted special investigations when warranted.

*Work Plan – FY 2012*

In reviewing the work plan of the Internal Audit Unit (IAU), committee members expressed an interest in having the IAU devote more time to issues beyond Independent Activity Fund (IAF) audits. They said they are eager to diversify the practices of the IAU and believe MCPS would be well served if systemwide issues received the same level of routine scrutiny as the IAF's. Staff explained that one constraint is the limited technology available to manage the IAF data and that a more robust IAF reporting system would free time for other activities.

Committee members reiterated their ongoing interest to have each school's IAF audit, including the principal's response, available on line. The committee chair referenced the online financial reporting done by Howard County Public Schools, which, if possible to be replicated in MCPS, could address the underlying interest in posting the audits on line. Committee members asked staff to explore options for both enhanced technology and online posting of audits and bring a recommendation to the committee for consideration.

MCPS staff would like the Chief School Performance Officer to attend a future meeting to discuss the perceptions in the local schools of the IAF audits.

**Montgomery County Public Schools' Retirement Cost of Living Adjustment**

A cost of living adjustment for retirees will be implemented consistent with a highly technical requirement legislatively enacted in 2011.

**Summary of Actions and Follow-ups**

- 1) Additional Information on Employee Pensions.
- 2) Required Annual Actuary Report.
- 3) Recommendation on the OLO and IG Projects
- 4) Progress Reports on the County Council's Task Force on Health Care Costs.
- 5) Continual Updates on Charter School Processes.
- 6) Progress on Posting IAF Audits Online.

The meeting adjourned at 11:58 a.m.

Recorder: Becky Gibson