

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

February 17, 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 Thursday, February 17, 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
Ms. Susanne DeGraba, Chief Financial Officer
Mr. Roger Pisha, Supervisor, Internal Audit Unit
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. Philip McGaughey, Director, Division of Procurement
Ms. Bei (Susan) Chen, Assistant Controller, Division of the Controller

Guests: Mr. Douglas Rowe, Mercer Human Resource Counseling
Mr. Colin Bracis, Mercer Human Resource Counseling

The meeting was called to order by Philip Kauffman at 2:02 p.m.

Approval of November 22, 2010 Meeting Minutes

The meeting minutes of November 22, 2010, were approved as submitted. (Mr. Barclay was not in attendance for approval.)

Other Post-Employment Benefits (OPEB) Valuation

Staff from Mercer Human Resource Counseling presented information about the actuarial valuation for the purposes of determining the Annual Required Contribution (ARC) and net OPEB obligation under GASB 45. The last valuation was done in 2008. The liabilities and ARC in the report do not reflect the impact of the National Health Care Reform because decisions have not been made. The ARC increases from \$132 million to \$157 million. However, they cautioned that lack of pre-funding may have consequences, including implications for the county's bond rating. Because a countywide multi-agency approach is being taken, MCPS is similarly situated to other county agencies. With each valuation, path to fully funding is getting steeper.

External Auditor Appointment

MCPS staff updated committee members on the request for proposal that was issued in December for an external auditor. Five companies submitted proposals, out of the five, two companies (Clifton Gunderson LLP and KMPG) were interviewed. Staff recommended that Clifton Gunderson LLP be awarded the contract as the external auditor of MCPS.

The committee approved the staff's recommendation of Clifton Gunderson LLP and to bring the recommendation to the full Board. (Mr. Barclay was not in attendance for this item.)

Reports*Listing of MCPS Audits*

The committee was provided a list of internal audits and external audits conducted in FY 2010, as well as other recurring external audits. MCPS should have a Maryland State retirement audit this year. Staff shared that the audits cover a large range of activities, and that overall, there were limited findings, and none of major significance.

Hot Line Call Report

The Internal Audit Unit (IAU) provided the committee members with a count, by type, of hotline calls received during FY10 and FY11 to date. Staff stated that personnel-related calls are referred to the appropriate staff member and all other calls are handled by the IAU. There was extensive conversation between MCPS staff and the committee members about additional reporting, which would include action taken, investigation process, and outcomes. The committee members also expressed interest in the possibility of sharing fraud and waste reports at the county level.

Board staff will work with the Chief Financial Officer to improve the reporting process and bring updates back to the committee.

Updates*Financial Manual*

MCPS staff reported that 19 out of 22 Chapters of the financial manuals are complete. Two chapters have been revised and four more are being updated. Out of the remaining three chapters one is at level three review and the other two should be finished in March.

Update on the Master Lease

MCPS delayed re-bidding the master lease until 2010, due to volatility in the credit markets in 2008 and 2009. In August 2010, the Board of Education approved the new Master Lease Agreement, and in December, MCPS completed its first closing under this new agreement. The new Master Lease Agreement for school buses, maintenance vehicles, and technology equipment saved MCPS \$121,500 in lease payments in the first year. The total interest saved over the life of the financing with the new lease will be approximately \$621,000.

FY 2012 Operating and Capital Budget

Management, Budget and Planning updated the committee on the operating and capital budget. The Maryland Department of Legislative Services (DLS) concurs with the governor's education aid reductions but recommends reducing the dollars by eliminating the floors on the at risk formulas as well as a 50/50 share of pension costs. The committee believes that MCPS needs to make it clear that the DLS recommendations are unacceptable and shows a complete disregard to one of the most important funding formulas (Thornton).

The County Executive will release his budget on March 15, 2011.

Summary of Actions and Follow-ups

- 1) Reporting of Hotline

The meeting adjourned at 4:15 p.m.

Recorder: Becky Gibson