

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

September 14, 2009

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 14, 2009. In attendance were:

Members: Mr. Christopher Barclay, Chair
Mr. Philip Kauffman, Member
Mrs. Patricia O'Neill, Member
Mr. Michael Durso

Staff: Mr. Larry A. Bowers, Chief Operating Officer
Ms. Susanne DeGraba, Chief Financial Officer
Mr. Roger Pisha, Supervisor, Internal Audit Unit
Ms. Laura Steinberg, Staff Assistant, Legislative and Inter-Governmental Relations
Mr. Robert Doody, Controller
Mr. John Kevin, Investment Specialist, Department of Financial Services
Dr. Marshall Spatz, Director, Management, Budget and Planning

The meeting was called to order by Mr. Christopher Barclay, Chair, at 12:33 p.m.

Approval of Meeting Minutes

The meeting minutes for June 22, 2009, were approved unanimously.

Dependent Eligibility Verification Final Update

MCPS staff reported to the committee that 973 individuals have been dropped from insurance plans as a result of the dependent eligibility verification initiative. This will result in a savings of \$1.5M per year, which was less than was anticipated. The good news is that we have had fewer ineligible dependents than expected, confirming that existing processes are effective. However, areas of process improvement have been identified and will be implemented to ensure that only those eligible for coverage remain covered. The dependent eligibility verification began as a recommendation of the legislative audit. Other districts are now looking at MCPS experiences' in this initiative.

Defined Contribution Update

MCPS staff updated the committee on the status of the MCPS defined contribution plans. In 2007, MCPS contracted with nine vendors to provide employees with defined contribution plans. Nearly half of all employees (10,934) are participating in a 403(b) Tax Sheltered Plan while another 1200 employees are participating in a 457(b) Deferred Compensation Plan. Total assets in these plans are approximately \$770M.

Staff will come to the Board in the near future to ask that the current contracts be extended. The contracts will go out for bid again in 2010.

Financial Manual Update

MCPS staff presented a status report on the Financial Manual. The manual, which will be electronic and searchable, is anticipated to be completed in time for the start of the 2010-2011 school year. Staff continues to work on the 22 chapters, half are now being drafted by the responsible office, and the other half are now under review by the writing team. Some materials are currently being used now, and chapters will be owned by a department and as issues are identified the manual will be updated.

Internal Audit Year End Report

The Internal Audit Supervisor provided an overview of the *Annual Report of the Internal Auditors, Fiscal Year 2009*. He highlighted issues in several areas. The external audit contract with Clifton Gunderson will expire in June 2011. A request for proposals will be made during FY 2010 to select a firm to continue to meet the legal requirements for an annual external audit. No state audits took place during this past year, but both the MSDE audit of state aid and an audit of the Maryland Public School Construction Program will occur during FY 2010.

Audits of Independent Activity Funds were performed at 85 schools during FY 2009. 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, professional leave, cafeteria operation, and school vending 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.

MCPS staff will follow up with the committee on centralized vending services for schools and software options for tracking Independent Activity Funds (IAF).

Policies**GIJ – Operating Fund Investment**

As a result of the OLA recommendation for MCPS to have a formal policy governing investment of operating cash, staff recommended a draft of this new policy to the committee. The Policy Committee will also review this policy and then bring this item to the Board for action.

EID – Defined Contribution Plans

Staff brought to the committee a draft of policy EID, which updated the existing policy to current practice. The Policy Committee will review this draft on September 22, 2009, and then will bring this item to the Board for action.

Office of Legislative Audits (OLA) Recommendations Progress Report

The Chief Financial Officer updated the committee on the status of the OLA audit recommendations. Of the 19 recommendations, five required no action, seven are in process, and seven have been completed.

FY 2011 Operating and Capital Budget Updates**Maintenance of Effort**

The director for Management, budget and planning reported that Attorney General Doug Gansler has not yet provided State Superintendent Nancy Grasmick with an opinion on whether county budget actions comply with the maintenance of effort requirement of state education law. In advance of issuing an opinion, the Attorney General is soliciting public comment. There does not appear to be a time frame for issuing the opinion at this time.

Budget Freeze

Staff also shared that while a freeze is in place and a saving plan was instituted on August 29, 2009, it is unlikely that the same level of savings realized last year can occur this year. Additionally, staff said that furloughs are being talked about among county leaders. Staff indicated that given the fiscal situation, there seems to be fewer retirements and position balance will be tougher this year. Staff will come to the Board with an update in November.

Summary of Actions and Follow-ups

- 1) Vendors, use of broadcasting machine
- 2) RFP on Defined Contributions
- 3) Bring policies to the policy committee
- 4) One more policy to come to Audit from the OLA audit

The meeting was adjourned at 2:25 p.m.

Recorder: Becky Gibson