

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

May 14, 2012

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, May 14, 2012. In attendance were:

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

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Mrs. Susanne DeGraba, Chief Financial Officer
 Ms. Bei (Susan) Chen, Assistant Controller, Division of Controller
 Mr. Robert Doody, Controller, Division of the Controller
 Mr. Jonathan Gabel, Chief Investment Officer, Chief Financial Office
 Mr. Zvi Griesmann, Attorney, Legal Services
 Mr. Richard Johnstone, Director I, Benefits Strategy and Vendor Relations
 Mr. Philip McGaughey, Director, Division of Procurement
 Mr. Roger Pisha, Supervisor, Internal Audit Unit
 Ms. Laura Steinberg, Staff Assistant, Board of Education

Board Member: Ms. Shirley Brandman, President

Guests: Mr. Mark Muedeking, partner, DLA Piper USA LLP

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

Approval of March 12, 2012 Meeting Minutes

The meeting minutes of March 12, 2012, were approved as submitted.

403(b) Plan Sponsor Responsibility

MCPS staff shared that there is a growing trend in industry, non-profits, and private sectors to consolidate the number of vendors available to employees regarding 403(b) plans. Staff invited Mr. Muedeking as a legal fiduciary to speak to the committee members regarding the history of 403(b) plans and these trends. Because there is increasing concern about employer responsibility for performance and behavior of plan sponsors, staff is beginning to explore the concept of an independent board of investors that would select plan vendors.

School Software Selection Process

MCPS staff from the Division of Procurement shared that the system has begun the process to select web-based software that will assist with Independent Activity Fund (IAF) reporting and auditing, student obligations, activity fees, as well as streamline school-based activities. The software would allow families to make partial payments, if desired, and would divert some of the volume at the classroom level allowing less loss of school instruction. Staff expects the software to be integrated with OASIS and FMS and assured the committee that a wide range of stakeholders, including personnel at all school levels, are involved in the selection process. The committee was interested in knowing how the software would be implemented.

Updates*Benefits*

Staff shared that, as of April 30, 2012, the fund balance for active employees is greater than anticipated, while the fund balance for retirees is somewhat less than anticipated. The goal continues to have the fund balance at five percent. Staff will continue to monitor.

Pension Funding

MCPS staff asked Mercer to provide a fifteen-year projection of Board contributions to MCPS's pension plans. Staff provided the committee with Mercer's response on the current contribution policy and an alternative fifteen-year contribution policy which would result in getting the funded ratio to 81.7 percent by 2019 rather than 80.7 percent. The alternative policy also would increase the funded ratio to 90 percent by 2026 rather than 89 percent.

Audit Reports on the Web

MCPS staff shared that Independent Activity Fund (IAF) audit reports, including the principal's response, will be posted on the web beginning July 1, 2012. Principals will be notified that they have 30 days to respond to the audit report and a 15-day grace period, then the reports will be posted. Principals will be given a draft of their schools audit prior to publishing. Staff is working on web placement and design. The intent is that over time there will be multiple year audits reports available.

Principal Payroll Training

Recent payroll audits indicated significant areas of weakness. As a result of concerns with these weaknesses, the Chief Financial Officer will be teaching a half-day training during the summer designed for the principal and their payroll teams to ensure all staff are fully aware of roles and responsibilities. A memorandum will be sent out to elementary and secondary principals.

2013 Internal Audit Work Plan

The supervisor of the Internal Audit Unit provided, for the committee's approval, a work plan for FY2013. The work plan includes a funding forecast for four full-time auditors, contractual costs for external auditors, software for secondary schools, and local travel. Currently, the bulk of the audits are performed at the school level (Independent Activity Funds, field trips, etc.). A Procurement audit will look at purchase cards, inventory control, and how contracts are progressing. The committee was hopeful that once the school software is selected and

implemented, the auditors' time will be freed to permit more systemwide audits in key operational areas with fiscal implications.

Legal Services

Staff provided an update on plans for looking at the issue of in-house general counsel versus an external general counsel. Board staff has begun to benchmark the six school systems used for other research activities. A case study approach will be used to gather targeted information about provision and costs of legal services in those districts, as well as some other Maryland Local Education Agencies. Additionally, staff will be providing a comprehensive "as is" description of legal services in MCPS, including updated budget information, as well as expenditures by vendor and by function to the Fiscal Management Committee in a future scheduled meeting. After further analysis and discussion the committee plans to make a recommendation to the full Board.

Summary of Actions and Follow-ups

- 1) Special meeting of the Fiscal Management Committee in June regarding Legal Services.

The meeting adjourned at 12:12 p.m.

Recorder: Becky Gibson