

**RENEWAL OF CONTRACT AGREEMENT PROFESSIONAL SERVICES
AGREEMENT RFP NO. 011-2010 THIRD-PARTY FUDICIARY OVERSIGHT AND
FUNDS MANAGEMENT BETWEEN GUAM DEPARTMENT OF EDUCATION AND
ALVAREZ & MARSAL PUBLIC SECTOR SERVICE, LLC.**

This Renewal of Contract Agreement Professional Services Agreement RFP No. 011-2010 Third-Party Fiduciary Oversight and Funds Management ("Renewal") is hereby entered into by the Guam Department of Education ("GDOE"), an agency of the Government of Guam, whose address is P.O. Box DE, Hagåtña, Guam 96932, and Alvarez & Marsal Public Sector Service, LLC ("A&M"), whose address is 600 Madison Avenue, 8th Floor, New York, NY 10022. GDOE and A&M are collectively referred to as the "Parties."

WHEREAS, GDOE issued a Request for Proposal ("RFP") 011-2010 on March 31, 2010 for Third-Party Fiduciary Oversight and Funds Management Services; and

WHEREAS, based upon A&M's proposal to RFP 011-2010 dated May 5, 2010, a fully executed Contract Agreement Professional Services Agreement RFP No. 011-2010 Third-Party Fiduciary Oversight and Funds Management ("Contract") was entered between GDOE and A&M on September 13, 2010; and

WHEREAS, on August 1, 2012, pursuant to Section 7 of the Contract, GDOE sent A&M a notice of intent to renew; and

WHEREAS, on September 18, 2012, the Parties signed an Amendment of Contract Agreement Professional Services Agreement RFP No. 011-2010 Third-Party Fiduciary Oversight and Funds Management, which amended Section 7 of the Contract and extended the initial term of the Contract until October 31, 2012 and added to Section 37 of the Contract; and

WHEREAS, pursuant to the Section 7 of the Contract, Parties can renew for up to four (4) successive twelve (12) month terms; and

WHEREAS, Section 4(F) of the Contract provides that after the initial two (2) years of the Contract the source of funding will no longer be federal funds made available by the American Recovery and Reinvestment Act of 2009, and that this Contract is subject to availability of funding; and

WHEREAS, the Services provided by A&M under the Contract remain relevant and required by GDOE in light of the U.S. Department of Education's requirement for GDOE to procure services of a third-party fiduciary agent as a condition of receiving or accessing Federal grant funds; and

WHEREAS, the Parties are committed to developing a more robust budget capability for GDOE, and pursuant to Section 10 of the Contract, the Parties agree to modify the scope of work for this renewal period to include a detailed plan for a budget diagnostic and more direct approach to support driving the local implementation plan towards rescinding high risk status; and

WHEREAS, during the initial term of the Contract not all of the funding which was identified has been expended and remains available for this Renewal as well as additional local funding has been identified for this Renewal;

WITNESSETH, in consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

1. Pursuant to Section 7 of the Contract, Parties agree this twelve (12) month renewal shall be effective from November 1, 2012 and shall remain in effect until October 31, 2013, contingent upon the availability of funds from which payment for the Renewal can be made.


2. Pursuant to Section 10 of the Contract, wherein the Parties agreed they can amend the Milestones and Deliverables (hereinafter "Work") from time to time in accordance with the Contract; the Parties agree that the Work shall be amended, and subsequently, A&M shall perform services indicated in the Updated Performance Updates and Tracking 2012 – 2013, attached as Attachment 1 and incorporated herein as fully written.

3. Pursuant to the Compensation terms defined in Section 11 of the Contract and Attachment 1 to this Renewal, Parties agree that A&M shall be paid for the work performed and reimbursed for allowable costs as set forth in Attachment 1 to this Renewal; however in no event will the amount of funds exceed **Three Million Seventy-Nine Thousand One Hundred Sixty Dollars (\$3,079,160.00)** during this twelve (12) month renewal.

4. All other terms of the Contract remain unchanged.

IN WITNESS WHEREOF, the Parties have executed this settlement agreement on the date set forth below.

**ALVAREZ & MARSAL PUBLIC
SECTOR SERVICE, LLC:**


MELISSA GLYNN
Managing Director

DEPARTMENT OF EDUCATION:


JON J.P. FERNANDEZ
Superintendent

Renewal of Contract Agreement Professional Services Agreement RFP No. 011-2010 Third-Party Fiduciary Oversight and Funds Management

DATE: _____

DATE: _____

DEPARTMENT OF EDUCATION:

Christina Pederson

Christina M. Pederson
Legal Counsel

DATE: 9/25/12

CERTIFIED FUNDS AVAILABLE
ACCOUNT: 110.22.000.023000.12-2500.13
AMOUNT: \$ 3,079,160.10

REVIEWED BY:

M.G. Pido

MARCUS Y. PIDO
Supply Management Administrator

DATE: 09/25/2012

Kristin A. Romo
Certifying Officer, Department of Education

DATE: 9/25/12

APPROVED AS TO FORM AND LEGALITY

APPROVED

Leonardo Rapadas
LEONARDO RAPADAS
Attorney General of Guam

Edward J.B. Calvo
EDWARD J.B. CALVO
Governor of Guam

DATE: 9/28/12

DATE: SEP 29 2012

12-1068



**RENEWAL OF CONTRACT AGREEMENT PROFESSIONAL SERVICES AGREEMENT RFP NO. 0111-2010
THIRD-PARTY FUDICIARY OVERSIGHT AND FUNDS MANAGEMENT BETWEEN GUAM DEPARTMENT
OF EDUCATION AND ALVAREZ & MARSAL PUBLIC SECTOR SERVICE, LLC.**

ATTACHMENT 1

Updated Performance Updates and Tracking 2012 - 2013

(Referenced on page 2 of 3)

2012-13 activities will focus on building collaborative processes with GDOE, advancing the CCAP and controls supporting an overall objective of resolving high risk designation.

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Infrastructure Installation and Management	Build awareness of new internal controls and Policies and Procedures	Training Program Materials and Training Session attendance rosters showing 100% coverage of target population	Jan 31, 2011 And continuing to monitor for effectiveness. 2012-13 Update and support as policies and procedures are updated by GDOE	Training programs developed for procurement management. Provide updates to internal controls and associated policies and procedures to align with GDOE's new financial management capabilities
	Transfer all necessary data from the 3 rd party FMIS to GDOE's FMIS, communicating information to GDOE's FMS contractor and providing feedback to GDOE and the USDOE on GDOE's implementation of the FMIS.	Reconciliation report confirming complete and accurate transfer of 3 rd party financial records to GDOE's FMIS 2012-13 Automated transfer of 3 rd party financial records to GDOE's FMIS	By 10 th of the month after the first drawdown transaction.	On-going. 2012-3 With the go-live of GDOE's FMIS, there is a new focus on creating capability of automated sharing information from 3 rd party system. Details regarding what will be shared (detailed vs. summary data) and frequency of data transfer are under discussion
Compliance Management	Develop a compliance roadmap equivalent to a Comprehensive Corrective Action Plan	Developed and Approved Comprehensive Corrective Action Plan	Jan 31, 2011 submission to GDOE Feb 15, 2011 submission to USDOE	CCAP officially accepted by USDOE on Dec 15, 2011. 2012-13 submissions and

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
			<p>2012-13 Update CCAP as necessary based upon changes to GDOE's administrative structure and/or due to audit or management findings related to the controls environments</p> <p>2012-13 Continue to manage the coordination of tracking and preparation of the CCAP for review</p>	<p>reconciliation of comments provided by USDOE</p>
	<p>Perform quarterly tracking of CCAP</p>	<p>Documented tracking of progress against Plan and incorporation of any required changes based upon new process and/or compliance changes</p>		<p>2012-13 Support the submission of quarterly reports by GDOE.</p>
	<p>Support for external audits and facilitating information requests, etc</p>	<p>Responses to information requests and meetings set with external auditors</p> <p>Assist with internal audit department with identification of risk areas.</p>	<p>2012-13 A-133 audit support when scheduled with external auditors by the Deputy Superintendent.</p> <p>Review standard operating procedures (SOPs) and department policies to assist in development of audit plan.</p> <p>Assist with internal audit department with identification of risk areas.</p>	<p>Ongoing meetings have occurred with the external auditor in advance of audit performance.</p> <p>TPFA provided audit support for the FY2011 audit. TPFA also responds to follow-up requests re: prior year audit findings as requested.</p> <p>2012-13 TPFA will continue to provide support for external audit activities.</p>
In -Kind Valuation	<p>Determine the basis for valuations related to cost</p>	<p>Maintenance of records sufficient to document the</p>	<p>Jan 31, 2011 And continuing to monitor for</p>	<p>On-going, as needed.</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Processes	sharing and matching funds for grant reporting	basis of in kind valuations through audit reviews	effectiveness	
Transactional Support/Daily Operations	Perform inventory management	Inventory reconciliation reports Cycle Counts for 3 schools per month during open school sessions	Complete inventory of items purchased using grant funds after Oct 1, 2006 was completed in 2011. 2012-13 Physical inventory of federally and locally funded assets to begin September 2012.	USDOE Funded Assets - GDOE is developing preliminary plans for a summer 2012 physical inventory of its fixed assets. 2012-13 TPFA to provide updated guidance for physical inventory of locally purchased assets.
	Payroll	Clean drawdown request for payroll expenses	On-going	On-going. Reimbursements for payroll are occurring regularly. For the period of June 16 th thru July 15 th , approximately \$2.6M has been prepared for reimbursement (Consolidated & Discretionary Grant = \$1.9M; SPED = \$1.5M).
	Payables	Daily transactions listing support each request for a draw of grant funds by the Business Office	Immediately after release of funds by the USDOE And continuing to monitor for effectiveness.	On-going.
	Procurement	Monthly summary of completed purchases and procurement actions	Feb 5, 2011 And continuing to monitor for effectiveness.	On-going.
	Records management	EDGAR compliant transaction	Dec 29, 2010	On-going

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	Cash management	document files Compliant daily bank balance reports	Dec 29, 2010	On-going.
Payroll systems	Detailed specification of internal control standards and process improvement actions required by CCAP	Checklist of payroll procedure changes to be implemented	Jan 31, 2011 And continuing to monitor for effectiveness	SOPs are continuing to be reviewed and refined by key GDOE personnel. 2012 SOPs will be updated to integrate with FMS implementation
	Implement compliant payroll processes and system setup	Bi-weekly report of payroll exceptions	Dec 15, 2010 And continuing to monitor for effectiveness	Activities to improve GDOE payroll and personnel processes are currently underway. Special Education has reduced their payroll reimbursement rate consistently to 0%. Federal Programs and Program Manager staff for the Consolidated and Discretionary Grants has reduced the payroll reimbursement errors to approximately 4%. Program Manager meetings with A&M to discuss payroll reimbursement processes are regular. 2012-13 A&M will continue to focus on the

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
				<p>general ledger/labor cost analysis and creation of inter-department communication/efficiency.</p>
	<p>Document and maintain records appropriately</p>	<p>Publication and external auditor verification of compliance with SOPs</p>	<p>Jan 31, 2011 And continuing to monitor for effectiveness</p>	<p>A&M uses a three way match to reimburse payroll costs. GDOE is improving their match error rate as a result of the error report reconciliations and emphasis on payroll system improvements at the school and division levels. Federal Roster and TDR processing is continuing to be the focus on payroll reimbursement processes.</p>
<p>Cash Management</p>	<p>Implement a system of cash management that provides for cash – neutral or limited use of general funds for federal programs. Confirm that reimbursement requests are supported by appropriate documentation and documentation is maintained for an appropriate period of time.</p>	<p>Daily bank balance reports and completion of test draws arriving in appropriate bank account. Monthly report showing grant status by organization, school or program</p>	<p>Complete. Monitoring is on-going. Complete.</p>	<p>Monthly bank reconciliations are provided to GDOE. On-going.</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	<p>Confirm that account balances are monitored to prevent the failure to timely obligate and liquidate funds and prevent the lapsing of funds.</p>	<p>Grant award status report and monthly reporting</p>	<p>Initial - Jan 10, 2011 Continuing to monitor for effectiveness</p>	<p>On-going.</p>
<p>Procurement operations and systems</p>	<p>Detailed specification of internal control standards and process improvement actions required by CAP</p>	<p>Checklist of procurement procedure changes to be implemented</p>	<p>Initial - Jan 31, 2011 Continuing to monitor for effectiveness 2012-13 Work collaboratively with GDOE Supply Management to improve procurement processes</p>	<p>On-going. 2012-13 Update internal control associated with CCAP and other policies and procedures</p>
	<p>Establish contacts and working relationships with prospective vendors that can provide goods and services that GDOE needs under the grants. Enter into contracts with vendors on behalf of GDOE, and, in doing so, must comply with the provisions for procurement.</p>	<p>Review of an authorized vendors list and monthly tracking o procurement actions</p>	<p>Initial - Nov 15, 2010 Continuing to monitor for effectiveness 2012-13 Assist GDOE in improving overall supplier management processes</p>	<p>Have established numerous relationships with technology and other key vendors based upon planned procurements in grants including- FMIS, FMIS PM, Construction, etc. Participate in vendor management activities as appropriate. 2012-13 Identify and document improved practices related to supplier management Complete.</p>
	<p>Establish procurement processes and system functions</p>	<p>Publication and external auditor verification of compliance with SOPs</p>	<p>Initial - Jan 31, 2011</p>	<p>2012-13 Support</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Fixed Assets /Inventory systems	Detailed specification of internal control standards and process improvement actions required by CAP	Checklist of fixed assets procedure changes to be implemented (Note given the lack of power to support computers at the warehouse receiving will continue with paper copies of receiving information until FMIS automated receiving is implemented.	Jan 31, 2011	enhancements in procurement activities through updates to SOPs based upon organizational, systems and potential compliance requirements.
	Through active oversight of the warehouse, procurement and inventory, oversee the	Fixed assets inventory reconciliation report	Initial - Apr 30, 2011 Revised to October 31, 2011. Priority is after the	<p>On-going. BMI Scanner workshops and training sessions via web-conferencing were conducted by GDOE's Supply Management Administrator, Tyler Technologies, and BMI. Training included all GDOE warehouse and property management personnel with attendance and assistance from A&M. A&M is working with BMI to coordinate onsite training in August.</p> <p>2012-13 A&M will implement the use of scanners in support of inventory and fixed assets</p> <p>USDOE Funded Assets -- A total of 1817 fixed assets have now been</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	<p>management of all tangible personal property procured under the grants by the GDOE in accordance with the requirements</p>		<p>task of procurement. Procurement process is continuing to be extensive and absorbing most time of staff.</p> <p>2012-13 Work with GDOE to align FA approaches</p>	<p>loaded into the MUNIS fixed asset module. A total of 979 assets have been received under A&M Purchase Orders.</p> <p>2012-13 – provide ongoing management through the FA module and coordinate with GDOE's FMIS and FA management approach to support transition of data.</p>
	<p>Awareness building and training of personnel on all management processes</p>	<p>Publication and external auditor verification of compliance with SOPs</p>	<p>Initial - Jan 31, 2011</p>	<p>Introducing a scanning system for receiving and in taking physical inventories. System is on order and is part of the implementation of the FMIS system.</p> <p>2012-13 procedures will be introduced for effective use of this system as part of FMIS implementation. Initial SOP Draft for AssetTrak/TransTrak has been completed.</p>
<p>Records Management</p>	<p>Detailed specification of internal control standards and process improvement actions required by CCAP</p>	<p>Checklist of records management procedure changes to be implemented</p>	<p>Initial - Jan 31, 2011 And continuing to monitor for effectiveness</p>	<p>Ongoing population of TPFA deliverables repository. Materials are updated as standard</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
				operating procedures, training documents and other materials are implemented or revised.
	<p>Appropriate records management in compliance with EDGAR requirements and that supporting documentation is maintained for an appropriate period of time. This includes the entry of electronic copies of all supporting documentation into the integrated software system so that it is readily available for audit and or inquiry by various parties including GDOE executive and program offices.</p>	Compliant financial transaction files	Dec 31, 2010, as inclusion in the training materials for GDOE MUNIS users And continuing to monitor for effectiveness	Electronic record storage will be implemented as part of the FMIS system.
Reporting	Conduct reconciliations on a monthly and quarterly basis	Reconciliation Reports Monthly and Quarterly	Complete	On-going.
	Define other custom reports as necessary to support operations	Special reports and analyses	Initial - Sep 15, 2011 Continuing to monitor for effectiveness	On-going.
	Program management reporting - Standard monthly reporting will track status of performance results as well as operating information on draw downs, procurement status and other pre-defined status indicators. Reporting will also identify any performance risks and issues. Informal, timely	Issue memos or emails; monthly program management reports	Monthly	2012-13 Continue to produce status reports and review with Federal programs and management

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Performance Improvements	<p>information exchange will also occur to share information, resolve issues and address operational concerns</p> <p>Identified opportunities to streamline processes and increase operational efficiency</p>	<p>Presentation to GDOE with implementation plans</p> <p>Updated policies and procedures</p>	<p>Initial - Sept 15, 2011</p> <p>Continuing to monitor for effectiveness</p>	<p>Specific performance improvement activities have focused on Procurement through development of training and a procurement improvement plan working in concert with the Supply Chain Administrator.</p> <p>2012-13 Provide updated efficiency recommendations based upon changes in federal and local requirements. Review standard operating procedures (SOPs) related to the FMIS and recommend adjustments as necessary to improve operational effectiveness.</p>
Procurement Support as an added function	<p>Draft procurement document templates that comply with ARRA and other federal requirements</p>	<p>Accepted by GDOE Office of Supply Management</p>	<p>2012-13 Update templates based upon changes in local and federal requirements and process changes</p>	<p>Complete. Providing additional procurement support and template-updating as necessary.</p> <p>2012-13 Review required</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
				updates and set forth an appropriate schedule for delivery
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements	Final procurement documents accepted by AG	2012-13 Design and deliver updated training	Conducted procurement training for 69 GDOE professionals – project managers, program coordinators, and school administrators. 2012-13 Support training in conjunction with Supply Management
	Augment supply management staff as needed to ensure obligation of expiring grants funds.	Provide additional staffing for surge support for end of year processing.	2012-13 From May through September, provide increased staffing to support increased procurement activities	2012-13 Minimize the need to for year-end surge support, yet effectively track requirements and staff appropriately
Budget Diagnostic	Conduct a Department wide budget analysis to determine opportunities for cost control, implement budget policies and practices to support sustained management and control	Budget presentation, budget financial model, draft policies and procedures	To initiate in 2012-13	Not Started
Local Implementation Support	Facilitate working sessions and provide project management and technical support to address operational risk areas in support of transitioning off high risk status	Project plan, action plan and support for managing development of a business case	To initiate in 2012-13	Not Started

	with the U.S. Dept of Education			
Indirect Cost Analysis	Support development of the indirect cost package for submission to U.S. Dept of Education and Interior	Package for submission and analytical cost model as well as training for GDOE personnel on how to apply	Underway in 2012 with annual updates	Complete in 9/12 and update again in 2013

Cost Proposal

Category	Expected Cost ANNUAL, Year 1	Expected Cost ANNUAL, Year 2	Expected Cost Annual, Year 3 9/15-10/31	Available Funding Remaining	Expected Cost Annual, Year 3 11/1-10/31
Fees	\$3,486,326	\$3,413,092	\$284,854		\$2,621,760
Expenses - Personnel	\$528,674	\$497,308	\$29,572		\$289,400
Expenses - Other	\$235,000	\$189,600	\$36,577		\$168,000
TOTAL	\$4,250,000	\$4,100,000	\$351,003	\$113,019	\$3,079,160

As with the original proposal, A&M assumes dedicated space within GDOE's central office and access to conference room space to avoid costs associated with a separate office setup. Additionally, dedicated staff support from GDOE personnel is anticipated to continue to address cost control, but most importantly to foster interactivity and training. GDOE dedicated support required includes two buyers and an accounts payables administrator.