



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 10

July 15, 2011



### **Overview of Accomplishments and Activities – June 15, 2011 – July 15, 2011**

A&M officially started performance on the Third Party Fiduciary Agent (TPFA) contract on 9/15/2010 based upon final signatures (the Notice to Proceed was issued on 9/13/10). Based upon their initial mobilization and official kick-off with the U.S. Department of Education (US DOE) on September 20<sup>th</sup>, they have prioritized standing up their financial management information system. Reimbursement and draw down of funds can only occur after US DOE has approved the TPFA's financial management information system.

In performance as the TPFA, A&M has functioned for approximately ten months. In February Bill Roberti and Melissa Glynn assisted in setting up meetings for Governor Calvo and Superintendent Underwood with a number of executives of the US Department of Education regarding the reprogramming of the SFSF grant. A tentative agreement was developed during these meeting that will allow the Governor's Office to reprogram approximately \$60 million dollars of the SFSF grant replacing various Capital Improvement Projects and Technology enhancement projects with support of personnel involved in classroom instruction for the period of October 1, 2011 through September 30, 2011. The Legislature of Guam has passed a bill which implements the changes required for the reprogramming to be acceptable to the USDOE. The legislation was passed and signed. The grant has been revised and submitted to USDOE.

The announcement soliciting applicants for the Superintendent of Education has been advertised. When the May 16 deadline for applications approached without any submissions the Board extended the deadline until June 30. Dr. Underwood has released a statement indicating that she will accept an extension of her contract to allow for a transition to a new Superintendent.

The Superintendent and Chairman of the Board of Education held meetings with the CIP project management team, both contractors and supporting administrative groups participating in the Capital Improvement Projects. Issues surrounding the work of both contractors and the project management team were discussed with the Superintendent scheduling weekly meetings with all players to insure that all members of the project are working together.

The list below highlights accomplishments of the onsite team since May 15, 2011:

- The RFP for the FMIS progressed through the procurement process with three potential vendors making day long presentations of the software offering and conversion methodology during the week of April 11-15. A preferred vendor has been selected and the contract is being negotiated.
- Continued to attend twice weekly procurement status meetings with the Superintendent to monitor and track progress.
- Continued drafting Standard Operating Procedures (SOP), with some parts being reviewed by GDOE staff.



- Activities to improve GDOE payroll and personnel processes are currently underway, with emphasis on general ledger/labor cost analysis and creation of inter-department communication/efficiency an automated timesheet has been designed and is in testing. Currently searching for a method to integrate with the current payroll system.
- Attended the Superintendent’s weekly meeting for coordinating the Capital Improvement Projects.
- Processed over 100 requisitions to purchase orders for the grant ending June 30.
- A procurement s is underway that will provide new laptops to all teachers within the system. This procurement closes in early August.
- A revision to the SFSF grant was signed by the Governor of Guam on June 21 and submitted to USDOE.
- A revision to the ARRA RLIS grant was submitted to USDOE on July 13.
- Routine reports for grants are being distributed at least twice monthly for all grants expiring September 30, 2011.
- Participated in meeting with USODE Risk Management’s Christine Jackson and Mark Robinson during the visit the week of July 11, 2011.
- Bill Roberti and Melissa Glynn visited the project the week of July 11 to participate in the review by Christine Jackson and Mark Robinson.
- CCAP was presented to Christine Jackson during her visit to Guam and officially transmitted by the Superintendent thereafter.

**Performance Plan Evidence of Completion Achievement**

After evaluating the requirements of GDOE and working with USDOE during the week of September 20, 2010, A&M proposed review of the performance management plan to re-prioritize efforts on standing up the FMIS as quickly as possible. This prioritization was based upon meetings with GDOE leadership, the Education Policy Board and the Guam Legislature which underscored the criticality of gaining USDOE’s approval to drawdown funds and reimbursing local funds. The tracking reflects proposed changes, for GDOE’s review and finalization.

COMMENTS HIGHLIGHTED IN GREEN ARE NEW COMMENTS ADDED TO THE CHART FOR JULY 15.

| Performance Area | Activities                         | Final Evidence of Completion | Schedule Based upon Updated Performance Plan | Tracking Updates               |
|------------------|------------------------------------|------------------------------|--|--------------------------------|
| Mobilization     | Assemble team and begin operations | Staffing Roster              | Oct 15, 2010                                 | Complete; Staffing adjustments |



| Performance Area                           | Activities  | Final Evidence of Completion  | Schedule Based upon Updated Performance Plan   | Tracking Updates  |
|--|---|---|--|---|
|  | on Guam   |   | And continuing to monitor for effectiveness.   | will take place according to evolving needs and developments                |
|  | Establishing basic infrastructure for receipt and disbursement of grant funds   | Standard Operating Procedures   | Oct 15, 2010 1 <sup>st</sup> Draft<br>Dec 31, 2010 2 <sup>nd</sup> Draft<br>Issuing SOPs to GDOE as they are revised/completed | SOPs continue to be refined and adjusted as operational issues are resolved |
|  | Evaluate backlog of completed grant funding eligible GDOE transactions and prepare drawdown requests to secure reimbursement.   | Initial drawdown requests   | X – Initial drawdown will occur immediately after USDOE approval is obtained   | Complete  |
| Infrastructure Installation and Management | Stand up FMIS to accommodate 3 <sup>rd</sup> Party requirements   | Release of system to production environment   | Dec 15, 2010   | Complete  |
|  | Establish bank accounts   | Bank accounts setup completions of test draws successfully arriving in bank account.                                      | Oct 15, 2010   | Complete  |
|  | Build awareness of new internal controls and Policies and Procedures  | Training Program Materials and Training Session attendance rosters showing 90% coverage of target population              | Jan 31, 2011<br>And continuing to monitor for effectiveness.   | Initial training is complete. On-going                                      |
|  | Transfer all necessary data from the 3 <sup>rd</sup> 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 <sup>rd</sup> party financial records to GDOE's FMIS | By 10 <sup>th</sup> of the month after the first drawdown transaction. .   | A cross reference exists for the two computerized systems.                  |
| Compliance Management                      | Develop a compliance roadmap equivalent to a Corrective Action Plan   | Developed and Approved Corrective Action Plan   | Jan 31, 2011 submission to GDOE<br>Feb 15, 2011 submission to USDOE  | The Board approved the CCAP and it has been submitted to USDOE.             |



| Performance Area                       | Activities  | Final Evidence of Completion  | Schedule Based upon Updated Performance Plan   | Tracking Updates  |
|--|---|---|--|---|
|  | Perform quarterly tracking of CAP   | Documented tracking of progress against Plan and incorporation of any required changes based upon new process and/or compliance changes | Oct. 15, 2011, first quarterly reports   | Reporting will be quarterly after initial submission to USDOE.  |
|  | Support for external audits and facilitating information requests, etc                            | Responses to information requests and meetings set with external auditors   | 2011 A-133 audit support when scheduled with external auditors by the Deputy Superintendent  | The audit finding for 2010 have been release by the Superintendent.   |
| In -Kind Valuation Processes           | Determine the basis for valuations related to cost sharing and matching funds for grant reporting | Maintenance of records sufficient to document the basis of in kind valuations through audit reviews                                     | Jan 31, 2011 And continuing to monitor for effectiveness   | Initial investigation complete. Next steps will occur when need arises.   |
| Transactional Support/Daily Operations | Perform inventory management  | Inventory reconciliation reports<br>Cycle Counts for 3 schools per month during open school sessions                                    | Complete inventory of items purchased using grant funds after Oct 1, 2006 will be conducted after school starts in the fall of 2011. | Inventory of items purchased since October 1, 2006 has been constructed. A procedure for taking physical inventories has been developed and initial inventories are being conducted on an organization by organizational basis This inventory is being conducted by A & M with assistance of GDOE. Completion will be early fall. |
|  | Payroll   | Clean drawdown request for payroll expenses   | Dec 15, 2011   | Complete. Reimbursements for payrolls are occurring regularly   |
|  | 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<br>And continuing to monitor for effectiveness                                       | Complete. Processing occurring routinely.   |
|  | Procurement   | Monthly summary of completed purchases and procurement actions  | Feb 5, 2011<br>And continuing to monitor for effectiveness   | Complete. Processing occurring routinely.   |



| Performance Area | Activities   | Final Evidence of Completion  | Schedule Based upon Updated Performance Plan                | Tracking Updates   |
|------------------|--|---|---|--|
|                  | Records management   | EDGAR compliant transaction document files  | Dec 29, 2010  | All records are being tracked in MUNIS   |
|                  | Cash management  | Compliant daily bank balance reports  | Dec 29, 2010  | Bank accounts reconciled on a daily basis.   |
| Payroll systems  | Detailed specification of internal control standards and process improvement actions required by CAP                         | Checklist of payroll procedure changes to be implemented                                      | Jan 31, 2011<br>And continuing to monitor for effectiveness | SOPs are continuing to be reviewed and refined by key GDOE personnel.  |
|                  | Implement compliant payroll processes and system setup   | Bi-weekly report of payroll exceptions  | Dec 15, 2010<br>And continuing to monitor for effectiveness | Activities to improve GDOE payroll and personnel processes are currently underway, with emphasis on general ledger/labor cost analysis and creation of inter-department communication/efficiency. A new concept to bring everyone to agree on a reconciliation process has been developed and is being implemented Week of May 16. |
|                  | Document and maintain records appropriately  | Publication and external auditor verification of compliance with SOPs                         | Jan 31, 2011<br>And continuing to monitor for effectiveness | A & M uses a three way match to reimburse payroll costs. To this point in time GDOE has not resolved any of the match failures. A & M is nearing completion of a reconciliation report that will document these match failures to GDOE in an effort to resolve the failures.   |
| Cash Management  | Implement a system of cash management that provides for cash – neutral or limited use of general funds for federal programs. | Daily bank balance reports and completion of test draws arriving in appropriate bank account. | Complete. Monitoring is on-going.                           | Use of ACH distributions to US Mainland vendors now in place. Cash management implementation now complete.   |



| Performance Area                   | Activities  | Final Evidence of Completion   | Schedule Based upon Updated Performance Plan                | Tracking Updates  |
|------------------------------------|---|--|---|---|
|                                    | Confirm that reimbursement requests are supported by appropriate documentation and documentation is maintained for an appropriate period of time.   | Monthly report showing grant status by organization, school or program   |   |   |
|                                    | Confirm that account balances are monitored to prevent the failure to timely obligate and liquidate funds and prevent the lapsing of funds.   | Grant award status report and monthly reporting  | Jan 10, 2011<br>And continuing to monitor for effectiveness | Starting with June twice monthly grant status will be distributed to GDOE management to assist with grant management. |
| Procurement operations and systems | Detailed specification of internal control standards and process improvement actions required by CAP  | Checklist of procurement procedure changes to be implemented   | Jan 31, 2011<br>And continuing to monitor for effectiveness | A & M starting a project to prepare new SOP's and Training Materials for Office of Supply Management.                 |
|                                    | 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. | Review of an authorized vendors list and monthly tracking o procurement actions  | Nov 15, 2010<br>And continuing to monitor for effectiveness | Complete. Vendors will expand as procurement occurs.  |
|                                    | Establish procurement processes and system functions  | Publication and external auditor verification of compliance with SOPs  | Jan 31, 2011  | On-Going  |
| 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 during the first half of 2011.) | Jan 31, 2011  | Implementation on-going.  |
|                                    | Through active oversight of the   | Fixed assets inventory   | Apr 30, 2011  | In progress   |



| Performance Area   | Activities   | Final Evidence of Completion  | Schedule Based upon Updated Performance Plan  | Tracking Updates  |
|--------------------|--|---|---|---|
|                    | warehouse, procurement and inventory, oversee the management of all tangible personal property procured under the grants by the GDOE in accordance with the requirements   | reconciliation report   | Revised to October 31, 2011. Priority is after the task of procurement. Procurement process is continuing to be extensive and absorbing most time of staff. |   |
|                    | Awareness building and training of personnel on all management processes   | Publication and external auditor verification of compliance with SOPs | Jan 31, 2011  | In progress   |
| Records Management | Detailed specification of internal control standards and process improvement actions required by CAP   | Checklist of records management procedure changes to be implemented   | Jan 31, 2011<br>And continuing to monitor for effectiveness   | Records are retained by GDOE for adequate time periods.   |
|                    | 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. | Compliant financial transaction files                                 | Dec 31, 2010, as inclusion in the training materials for GDOE MUNIS users<br>And continuing to monitor for effectiveness                                    | Complete  |
| 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  | Sep 15, 2011<br>And continuing to monitor for effectiveness   | We have three reports being developed by Tyler Technologies to assist with management of the grants and insure proper accounting records. |
|                    | Program management reporting - Standard monthly reporting will   | Issue memos or emails; monthly program management reports             | Monthly   | In Progress; Monthly project management reports are being   |





| Performance Area                         | Activities  | Final Evidence of Completion                   | Schedule Based upon Updated Performance Plan                 | Tracking Updates   |
|--|---|--|--|--|
|  | track status of performance results as well as operating information on drawdowns, procurement status and other pre-defined status indicators. Reporting will also identify any performance risks and issues. Informal, timely information exchange will also occur to share information, resolve issues and address operational concerns |  |  | created for and reviewed by USDOE  |
| Performance Improvements                 | Identified opportunities to streamline processes and increase operational efficiency  | Presentation to GDOE with implementation plans | Sept 15, 2011<br>And continuing to monitor for effectiveness | Ongoing; Opportunities for improvement continue to be identified and discussed with GDOE on a regular basis                                |
| Procurement Support as an added function | Draft procurement document templates that comply with ARRA and other federal requirements   | Accepted by GDOE Office of Supply Management   |  | Completed several templates for use in procurement which have been accepted by the GDOE. Revisions prepared as needed for unique projects. |
|  | Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements   | Final procurement documents accepted by AG     |  | A & M starting a project to prepare new SOP's and Training Materials for Office of Supply Management.                                      |



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**Immediate Areas Requiring GDOE/A&M Attention**

The following reflect high priority activities and actions requiring attention from GDOE and A&M:

- Finalize all procurements for the 2009 Consolidated Grant as well as the ARRA RLIS grant prior to the expiration September 30.
- Continue working with GDOE's new Director of the Office of Supply Management (Marcus Pido) to revise standard operating procedures, develop templates and provide training of staff and end users.
- Assist GDOE in development of the Contract for Installation of the FMIS system. Mike McKenna is assist in this process working from his office in New York.
- Assist in the procurement of a Project Manager for the FMIS installation.
- Report the details to GDOE of the three way match failures from Payroll reimbursement.
- Provide a senior A & M employee to assist with the procurement activities during August and early September.
- Assist GDOE in transfer of the \$60 million to the trust fund once revisions of the SFSF grant is approved by USDOE.