



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 18

March 15, 2012



ALVAREZ & MARSAL

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Overview of Accomplishments and Activities, March 15, 2012

A&M officially started performance on the Third Party Fiduciary Agent (TPFA) contract on September 15, 2010 based upon final signatures (the Notice to Proceed was issued on September 13, 2010). Initiation of progress tracking is based upon initial mobilization and official kick-off with the U.S. Department of Education (USDOE) on September 20, 2010.

The highlights for the month ending March 15, 2012 include the following:

- The February 29th quarterly report on the status of the Comprehensive Correction Action Plan (CCAP) was filed with the US Department of Education, Office of Risk Management as required. This quarterly report provides GDOE's update towards completion of those items which are designed to correct the administrative deficiencies that have led to the department being placed on "High Risk". The CCAP is the roadmap that guides the various administrative groups to the actions that are essential for the designation being eliminated. Each administrative group provided an update for the specific actions included for the group. The report was reviewed by the GDOE Internal Audit Group and the Third Party Fiduciary Agent for accuracy and completeness.
- The installation of the Financial Management Information System (FMIS) continues steady movement towards the initial implementation "go live" of Monday, April 2, 2012. This initial implementation is for the General Ledger and Procurement components. Extensive training has occurred in the implementation of the two software components, with desktop procedures and standard operating procedures having been developed in support of the implementation.
- We made significant progress toward reimbursing payroll on a more current basis while achieving a significant reduction in exceptions. At this time reimbursement of Special Education is current with only one error in the most recent payroll review while the Consolidated Grant experienced 16 errors in its most recent review. Error reports are provided to the appropriate GDOE administrative groups for resolution of all errors.
- The Federal Program Division and the TPFA continued working Division to develop standard operating procedures (SOPs) to ensure the uniform treatment of sub-grantees/sub-recipients.
- Jim Pearson participated in a round table discussion at the Guam Legislature regarding the status of the expenditures assigned to the Adequate Education Trust account as a result of the revision to the ARRA SFSF grant during FY 2011. These expenditures are being slow to move due to the complexity of the procurement and several protests from vendors. Discussions included the need for the Office of the Governor to officially request an extension of the deadline to obligate the funds to a date later than the current deadline of September 30, 2012.
- The search for applicants for the position of Superintendent currently has a deadline of March 17, 2012 to submit all required materials. Six candidates had previously submitted partial applications and the deadline was extended to allow time for submission of additional material. There may also be additional applicants.



Grant Status Highlights and Activity Data

All current grants are available for obligation and payments.

	Feb 2012	2 nd Quarter to Date	Total for FY12 to date
Requisitions Created	82	131	480
Purchase Orders Issued	71	93	127
Funds drawn for Payments	\$ 3,409,464	\$ 6,860,443	\$ 24,708,834
Receipt of Fixed Assets	30	58	623

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.

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
Mobilization	Assemble team and begin operations on Guam	Staffing Roster	Oct 15, 2010 And continuing to monitor for effectiveness.	Complete.



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	Establishing basic infrastructure for receipt and disbursement of grant funds	Standard Operating Procedures	Oct 15, 2010 1 st Draft Dec 31, 2010 2 nd Draft Issuing SOPs to GDOE as they are revised/completed	Complete.
	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 rd 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 And continuing to monitor for effectiveness.	New training programs developed for procurement management.
	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	Reconciliation report confirming complete and accurate transfer of 3 rd party financial records to GDOE's FMIS	By 10 th of the month after the first drawdown transaction.	On-going.



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
	implementation of the FMIS.			
Compliance Management	Develop a compliance roadmap equivalent to a Corrective Action Plan	Developed and Approved Corrective Action Plan	Jan 31, 2011 submission to GDOE Feb 15, 2011 submission to USDOE	CCAP Officially accepted by USDOE on Dec 15, 2011.
	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	Next quarterly report due effective May 31, 2012 with submission on June 8.	First Quarterly status report submitted on March 9, 2012
	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	Ongoing meetings have occurred with the external auditor in advance of audit performance.
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	On-going, as needed.
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 will be conducted after school starts in the fall of 2011.	USDOE Funded Assets - Planning a physical inventory for later in the academic year or at the start of 2012-2013 school year.



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	Payroll	Clean drawdown request for payroll expenses	On-going	Complete. Reimbursements for payroll are occurring regularly. For the month of March reimbursements total approximately \$4.09 million (Consolidated & Discretionary Grant = \$3.05M; SPED Grant = \$1.04M).
	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 document files	Dec 29, 2010	On-going
	Cash management	Compliant daily bank balance reports	Dec 29, 2010	On-going.
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 And continuing to monitor for effectiveness	SOPs are continuing to be reviewed and refined by key GDOE personnel.



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	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...PED 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 4%. Program Manager meetings with A&M to discuss payroll reimbursement processes are regular. A&M will continue to focus on the general ledger/labor cost analysis and creation of inter-department communication/efficiency.
	Document and maintain records appropriately	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011 And continuing to monitor for effectiveness	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



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				the school and division levels. Federal Roster and TDR processing is continuing to be the focus on payroll reimbursement processes.
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.	Monthly bank reconciliations are provided to GDOE.
	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	Complete.	On-going.
	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 And continuing to monitor for effectiveness	On-going.
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 And continuing to monitor for effectiveness	On-going.
	Establish contacts and working relationships with prospective vendors that can provide goods and services that GDOE needs under the grants. Enter into contracts	Review of an authorized vendors list and monthly tracking o procurement actions	Nov 15, 2010 And continuing to monitor for effectiveness	Have established numerous relationships with technology and other key vendors based upon planned procurements in grants including- FMIS,



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	with vendors on behalf of GDOE, and, in doing so, must comply with the provisions for procurement.			FMIS PM, Construction, etc. Participate in vendor management activities as appropriate.
	Establish procurement processes and system functions	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	Complete
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	On-going. We are now developing an understanding of the BMI Scanners and as the first steps in assisting GDOE in automating receipt of fixed assets, inventory tagging and physical inventory recording.
	Through active oversight of the warehouse, procurement and inventory, oversee the management of all tangible personal property procured under the grants by the GDOE in accordance with the requirements	Fixed assets inventory reconciliation report	Apr 30, 2011 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.	USDOE Funded Assets – A total of 1632 fixed assets have now been loaded into the MUNIS Fixed asset Module. Included in this total are 758 assets that have been received under A&M Purchase Orders’.
	Awareness building and training of personnel on all management processes	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	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.



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				Procedures will be introduced for effective use of this system as part of FMIS implementation.
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 And continuing to monitor for effectiveness	Began population of TPFA deliverables repository and will continue to update as standard operating procedures, training documents and other materials are implemented.
	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 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	Sep 15, 2011 And continuing to monitor for effectiveness	On-going.
	Program management reporting - Standard monthly	Issue memos or emails; monthly program	Monthly	Updated status report is submitted to GDOE this



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	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 information exchange will also occur to share information, resolve issues and address operational concerns	management reports		period for review.
Performance Improvements	Identified opportunities to streamline processes and increase operational efficiency	Presentation to GDOE with implementation plans	Sept 15, 2011 And continuing to monitor for effectiveness	Specific performance improvement activities have focused on Procurement through development of training and a procurement improvement plan working in concert with Marc Pido (Supply Chain Administrator).
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		Complete. Providing additional procurement support and template-updating as necessary.
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements	Final procurement documents accepted by AG		Conducted procurement training for 69 GDOE professionals – project managers, program coordinators, and school



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				administrators.

Immediate Areas Requiring GDOE/A&M Attention

The following **critical activities and actions** require attention from the Guam Board of Education, GDOE and A&M:

- Developing more efficient procurement processes remains one of A&M's most significant concerns. The legal processes required by, local Guam procurement laws and procedural regulations restrict the volume of procurement activities that can be accomplished by the limited GDOE staff authorized to manage the process. There is significant risk that GDOE's Supply Management Administrator and Special Assistant Attorney General cannot complete the required management actions necessary to all of the specified procurements in grants from the US Department of Education prior to the expiration of those grants. Implementation of various programs funded by grants has experienced significant delays as a result of these structural procurement limitations.
- Implementation of the FMIS is a critical step in the strengthening of a system of internal controls. New desk procedures and standard operating procedures (SOPs) have been prepared. These SOPs need to be viewed as a starting point for better internal controls and not the final and best procedure. Administrative leadership within GDOE must take ownership of these procedures and must refine them to insure best internal control practices with maximum efficiency of task completion. As the various groups gain experience with the new FMIS, they will be redefining each person's assigned tasks and must do so with a critical examination of these necessary controls.