



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 21

June 15, 2012



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## Overview of Accomplishments and Activities, June 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 June 15, 2012 include the following:

- Submission of the quarterly monitoring report on the Comprehensive Corrective Action Plan was delivered to USDOE on July 12<sup>th</sup>.
- The FMIS system is functional in the areas of General Ledger, Accounts Payable, Budgets and Procurement. The various departments are routinely working their way through the learning curve associated with a new system. The team is currently working towards the implementation of the payroll, fixed assets and human relations portions of the new system which have a go live date of July 13. July 13<sup>th</sup> is the first payroll in July.
- The A-133 Audit is on-going with Deloitte visiting our office for review of the ASP Version of MUNIS as managed by A&M. Additional information has been presented to the auditors in response to questions. The auditors have now reviewed documents in the A&M system on two occasions.
- The Federal Programs Division, the Interim Superintendent and A&M representatives attended the Technical Work Session held in Washington in preparation of development and submission of the 2012 Consolidated Grant application. This meeting was scheduled for May 21-25 with final submission of the application schedule for July 13.
- The Federal Programs Division held its technical work session for the 2012 Consolidated Grant application development on June 7, 8 and 11. Jim Pearson participated in the session and was the luncheon speaker on Thursday and Monday.
- The software has arrived for the power user workstations as well as the virtual workstations. Deployment to the various administrative users will start next week. These new computers are part of the FMIS installation and improve the system usability by the various administrative departments by replacing old and obsolete computer workstations.
- Several issues have been presented to the USDOE and are awaiting guiding answers. Among these questions is the ability to use funds to pay a third attorney to assist with legal review of procurement during the remainder of the fiscal year. Another topic is the use of federal funds to procurement replacement furniture and partitions for the Federal Programs Division's office.



### Grant Status Highlights and Activity Data

All current grants are available for obligation and payments.

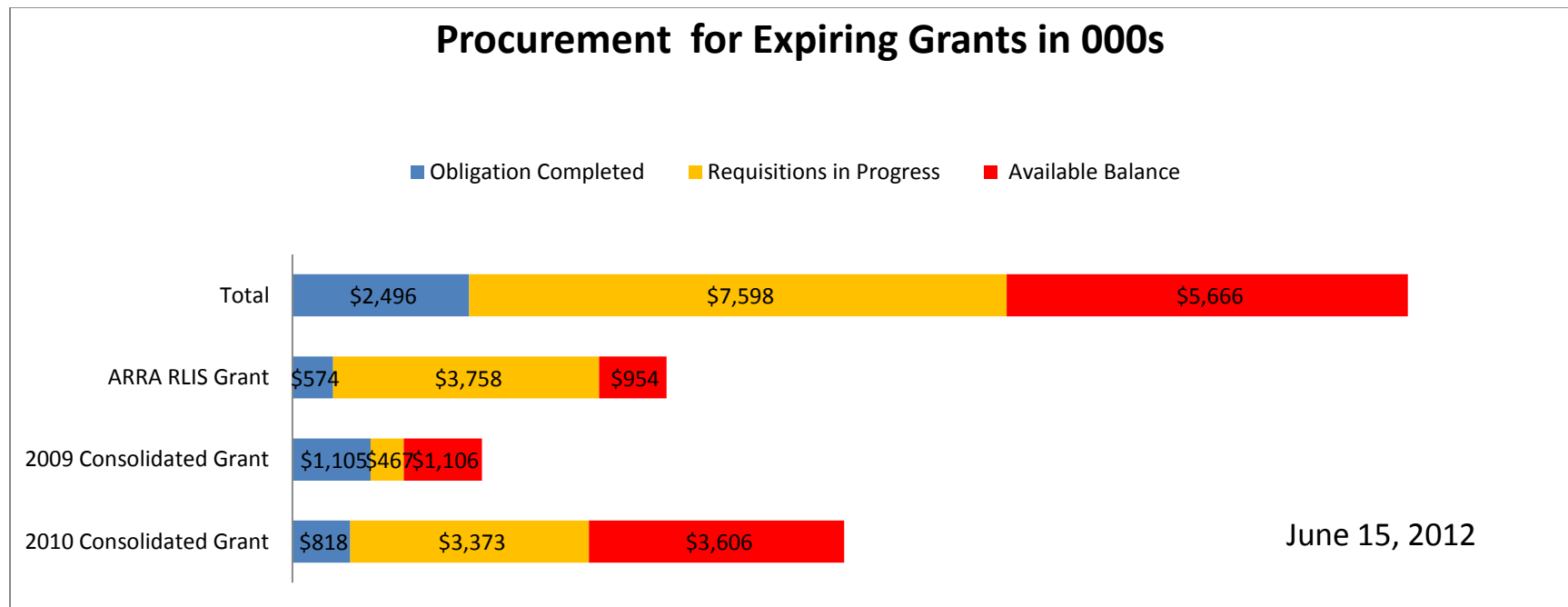
	<u>May 2012</u>	<u>3rd Quarter to Date</u>	<u>Total for FY12 to date</u>
Requisitions Created	152	203	716
Purchase Orders Issued	66	97	375
Funds drawn for Payments	\$2,886,147	\$4,856,540	\$36,918,316
Receipt of Fixed Assets	147	194	882



### Tracking Procurement for Grants Expiring for Obligation September 30, 2012

Between April 15 and September 15, 2012 GDOE has \$15 million to obligate. Through meetings with the Interim Superintendent, a number of steps have been taken to expedite these procurement activities. Among these planned steps are (1) the employment of a second attorney by GDOE to assist with procurement processes, (2) the assignment of additional GDOE personnel to the procurement function and (3) A&M providing additional personnel to assist with procurement. At this time, the new attorney has started work and A&M has hired a local recent college grad and GDOE has assigned a Senior Management Analyst to assist with the procurement process. Other actions will be documented as they occur.

Each bar in the chart will turn green as obligations are finalized. The chart starts with the remaining balance as of April 15, 2012. During the last 30 days, \$1,024,000 has been expended or otherwise obligated. A first-in/first-out analysis of the 2009 and 2010 Consolidated grants has been started and contributed to the results below.



### 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.

<b>Performance Area</b>	<b>Activities</b>	<b>Final Evidence of Completion</b>	<b>Schedule Based upon Updated Performance Plan</b>	<b>Accomplishments</b>
Mobilization	Assemble team and begin operations on Guam	Staffing Roster	Oct 15, 2010 And continuing to monitor for effectiveness.	Complete.
	Establishing basic infrastructure for receipt and disbursement of grant funds	Standard Operating Procedures	Oct 15, 2010 1 <sup>st</sup> Draft Dec 31, 2010 2 <sup>nd</sup> 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 <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	Training Program Materials and Training Session	Jan 31, 2011 And continuing to monitor	New training programs developed for



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	and Procedures	attendance rosters showing 90% coverage of target population	for effectiveness.	procurement management.
	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.	On-going. With the go-live of GDOE's FMIS, there is now focus on creating capability of sharing information from 3 <sup>rd</sup> party system. Details regarding what will be shared (detailed vs. summary data) and frequency of data transfer is being discussed.
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 CCAP	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. Second quarterly report is due on June 8, 2012.  CCAP committee has been formed to routinely discuss activities related to CCAP progress.



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
	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	<p>Ongoing meetings have occurred with the external auditor in advance of audit performance.</p> <p>TPFA is providing audit support for the FY2011 audit as requested as well as responding to follow-up requests re: prior year audit findings.</p>
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 - GDOE is developing preliminary plans for a summer 2012 physical inventory of USDOE funded assets and locally funded assets.
	Payroll	Clean drawdown request for payroll expenses	On-going	On-going. Reimbursements for payroll are occurring regularly. For the months of May 15 <sup>th</sup> thru June 13 <sup>th</sup> , approximately \$2.8M has





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				been prepared for reimbursement (Consolidated & Discretionary Grant = \$1.8M; SPED = \$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.
	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



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				<p>the Consolidated and Discretionary Grants has reduced the payroll reimbursement errors to approximately 4%. Program Manager meetings with A&amp;M to discuss payroll reimbursement processes are regular. A&amp;M will continue to focus on the 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&amp;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>



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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 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 And continuing to monitor for effectiveness	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.
	Establish procurement processes and system	Publication and external auditor verification of	Jan 31, 2011	Complete



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
	functions	compliance with SOPs		
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	On-going. BMI Scanner workshops and training sessions are being scheduled by GDOE's Supply Management Administrator (Marcus Pido), Tyler Technologies, and BMI. Training will include all GDOE warehouse and property management personnel, with attendance and assistance from A&M. Date and time for the next training session is pending per GDOE.
	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 1757 fixed assets have now been loaded into the MUNIS Fixed asset Module. A total of 921 assets 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



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
				implementation of the FMIS system. Procedures will be introduced for effective use of this system as part of FMIS implementation. Initial SOP Draft for AssetTrak/TransTrak has been completed.
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	Ongoing population of TPFAs deliverables repository. Materials are updated as standard operating procedures, training documents and other materials are implemented or revised.
	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	Reconciliation Reports	Complete	On-going.



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments
	monthly and quarterly basis	Monthly and Quarterly		
	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 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	Issue memos or emails; monthly program management reports	Monthly	Updated status report is submitted to GDOE this 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).



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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 administrators.

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

The following **critical activities and actions** require attention from the GDOE and A&M:

- Continue to expedite procurement activities to insure that all expiring funds have been obligated in an efficient and expedited manner.
- Continue to examine all grants to insure that first-in/first-out principles have been followed appropriately with any and all adjustments that are necessary are completed.
- Complete the FY 2011 Indirect Cost proposal.
- Continue to support the completion of the A-133 audit.
- Continue to push the implementation of the new FMIS system with a focus upon meeting the Go-Live date of July 13 for payroll and human relations modules.
- GDOE has implemented a new Budget Control office which is working to solve some of the issues with implementation of the Budget functions within the new FMIS system. This office is critical to the success of the



system and it needs to continue to develop methods, procedures and forms. The leader of the department has accepted employment in the states and will be leaving the department in the near future.

- A physical inventory is required for all equipment procured with funds under USDOE grants. This inventory is being planned for late summer or early fall and will utilize the new BMI scanners. If for any reason GDOE is unable to complete the inventory then A&M will conduct a separate physical inventory of equipment purchased with U.S. Department of Education funds.
- Develop and submit the 2012 Consolidated Grant Application by the July 13 deadline.