



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 2

November 15, 2010



ALVAREZ & MARSAL

### **Overview of Accomplishments and Activities – October 15 – November 15, 2010**

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 assembled members of the team on Guam. The team is at full strength and has specifically focused on strengthening the procurement effort with the addition of James Ludwig, J.D. who has significant experience with procurement with projects for recovery of schools in the New Orleans area post Katrina and with a New Orleans hospital, "Charity Hospital" in the Louisiana State University system. Adding additional capability to A&M's financial operations is Jim Musselwhite, a CPA with significant experience as a consultant, a controller and chief financial officer.

A new set of metrics have been added to the Performance Plan tracking A&M's increased involvement in procurement activities and design of compliant processes to support ARRA activities.

The list below highlights accomplishments of the onsite team since October 15, 2010:

- Completed set up of operating location within GDOE's central office facility
- Participated in daily procurement status meetings designed to review contracts and outstanding procurement issues related to federal source funding
- Conducted an introductory MUNIS tutorial with representatives from Tyler Technologies for GDOE staff
- Reviewed GDOE and Island of Guam Procurement Regulations to assist with the creation of ARRA-compliant procurement protocols
- Met with Island of Guam Assistant Attorney General to discuss Procurement Regulations and Requirements
- Drafted ARRA-compliant procurement templates for GDOE RFPs and IFBs to support procurement activities
- Conducted initial meetings and reviews of procurement and warehouse functions
- Established the basic MUNIS operating environment in the Tyler Technologies hosted ASP Gateway servers
- Completed the process of entering initial information about GDOE users, and started the process of establishing the rules to specify which functions and organizations each individual is allowed to access within the system
- Entered the initial 400+ vendors into the system with address information as provided by the GDOE.



- Set up the security rules, chart of accounts, and functioning criteria for the budgetary, requisition, purchase order, accounts payable, treasury, general ledger and treasury sub-systems within the MUNIS system.
- Conducted a review of the existing Comprehensive Corrective Action Plan and identified preliminary approach for updating the new Plan
- Started the evaluation of fixed assets by testing inventory records by visiting a school an attempting to identify all items purchased with federal funds since January 1, 2005.

**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	Tracking Updates
Mobilization	Assemble team and begin operations on Guam	Staffing Roster	Oct 15, 2010	Team roster provided with initial Status Report
	Establishing basic infrastructure for receipt and disbursement of grant funds	Standard Operating Procedures	Oct 15, 2010 1 <sup>st</sup> Draft Nov 15, 2010 2 <sup>nd</sup> Draft Dec 29 2010 Final Release of SOPs	1 <sup>st</sup> Draft submitted 10/15 2 <sup>nd</sup> Draft under development to be completed by 11/20
	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	Backlog has been evaluated  Actual drawdowns only to occur after USDOE has approved the new FMIS environment
Infrastructure Installation and Management	Stand up FMIS to accommodate 3 <sup>rd</sup> Party requirements	Release of system to production environment	Dec 15' 2010	Highest priority In progress
	Establish bank accounts	Bank accounts setup completions of test draws successfully arriving in bank account.	Oct 15, 2010	Three bank accounts established Test Draws will be completed once USDOE release funds.
	Build awareness of new internal	Training Program Materials and	Dec 15, 2010	Hosted a MUNIS review for



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
	controls and Policies and Procedures	Training Session attendance rosters showing 90% coverage of target population		Federal Program Managers, and GDOE administrative functions.
	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	
Compliance Management	Develop a compliance roadmap equivalent to a Corrective Action Plan	Developed and Approved Corrective Action Plan	Reprioritize to Dec 29, 2010	Initial review performed – in progress
	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	Reprioritize to April 15, 2011	Compliance document in place 90 days prior to first Quarterly Status Report.
	Support for external audits and facilitating information requests, etc	Responses to information requests and meetings set with external auditors	During 2011 Audit when scheduled	A & M is monitoring the 2010 A-133 Audit conducted by Deloitte to understand audit requirements.
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	
Transactional Support/Daily Operations	Perform inventory management	Inventory reconciliation reports Cycle Counts for 3 schools per month during open school sessions	Cycle counts will be conducted on a routine basis. First two schools will be in November 2010.	One cycle count and reconciliation has been initiated. A second school is scheduled for cycle count the week of Nov.15.
	Payroll	Clean drawdown request for payroll expenses	Dec 29, 2010	
	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	Requires MUNIS Standup completion and USDOE's release of funds



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
	Procurement	Monthly summary of completed purchases and procurement actions	Jan 31, 2011	Procurement using routine MUNIS entry of requisitions by the schools and programs will start in January 2011. Training will be conducted during the second half of Dec and first part of January.
	Records management	EDGAR compliant transaction document files	Dec 29, 2010	Requires MUNIS completion
	Cash management	Compliant daily bank balance reports	Dec 29, 2011	
Payroll systems	Detailed specification of internal control standards and process improvement actions required by CAP	Checklist of payroll procedure changes to be implemented	Dec 15, 2010	
	Implement compliant payroll processes and system setup	Bi-weekly report of payroll exceptions.	Dec 15, 2010	
	Document and maintain records appropriately	Publication and external auditor verification of compliance with SOPs	Dec 15, 2011	
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.	Initial drawdown will occur immediately after USDOE approval is obtained	
	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	Jan 10, 2011	First report of activity will be presented on January 2011
	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	



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
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	Dec 29, 2010	
	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	
	Establish procurement processes and system functions	Publication and external auditor verification of compliance with SOPs	Dec 29, 2010	
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 15, 2010	
	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	Jan 15, 2011	
	Awareness building and training of personnel on all management processes	Publication and external auditor verification of compliance with SOPs	Dec 29, 2010	
Records	Detailed specification of internal	Checklist of records management	Dec 29,2010	



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
Management	control standards and process improvement actions required by CAP	procedure changes to be 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 15, 2010	
Reporting	Conduct reconciliations on a monthly and quarterly basis	Reconciliation Reports Monthly and Quarterly	Jan 15, 2011	
	Define other custom reports as necessary to support operations	Special reports and analyses	Jan 31, 2011	
	Program management reporting - Standard monthly reporting will 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.	Issue memos or emails; monthly program management reports	Oct 15, 2010	Initial report provided, second report submitted
Performance Improvements	Identified opportunities to streamline processes and increase operational efficiency	Presentation to GDOE with implementation plans.	Sept 15, 2011	



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
*Creation of Procurement as an added function	Draft procurement document templates that comply with ARRA and other federal requirements	Review and approval from Guam Attorney General’s (AG) office		Meeting with AG’s office initially requested on 11/4/10, follow-up and official request sent from GDOE on 11/11/10
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements	Final procurement documents accepted by AG		Development underway

**\*New performance area added to reflect increased involvement in procurement activities**

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

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

- Finalize and submit the 2<sup>nd</sup> draft of SOPs for GDOE review
- Schedule a final meeting with Guam Assistant Attorney General to gain approval for suggested ARRA-compliant procurement document templates developed by A&M
- Establish ability to process ACH transfers and on-line banking for three bank accounts
- Define any additional support required to support procurement activities
- Review impacts of the Hay Group study on payroll
- Review Performance Management Plan