



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 4

January 15, 2011



ALVAREZ & MARSAL

### **Overview of Accomplishments and Activities – December 15, 2010 – January 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 assembled members of the team on Guam. John "Frank" Harrington, a new team member with a JD and an MBA, has recently arrived on-island and will be providing additional support to federal procurement efforts. The MUNIS system continues to operate efficiently and additional reimbursements in the amount of \$5,894,289 have been made to GDOE since December 15, 2010. GDOE's new Legal Counsel and Director of the Office of Supply Management have recently come onboard and our team continues to meet with them as needed to bring them up to speed on outstanding procurement efforts.

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

- Stood-up the MUNIS system; Second reimbursement was issued to GDOE on December 23, 2010
- Prepared a Procurement Primer that will be presented to GDOE end-users
- Continued to attend weekly procurement status meetings to monitor track progress
- Continued drafting Standard Operating Procedures (SOP), with some parts being reviewed by GDOE staff
- Gathered and reviewed payroll documentation (i.e., Time Distribution Reports (TDR), staffing lists, and labor cost reports) for federally-funded employees to verify correct reimbursement amounts
- Continued drafting the new Comprehensive Corrective Action Plan
- Continued evaluating GDOE's fixed assets controls by testing inventory records at additional schools
- Processed 7 requisitions into purchase orders using the MUNIS software system. These requisitions were entered into the system by A & M personnel after procurement processes were completed by GDOE Supply Management.

**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	James L rolled off island and Frank Harrington arrived on Island; James continues supporting the project with special assigned tasks
	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 Jan 15, 2011 released to GDOE and Board of education for review Jan 31, 2011 released to GDOE as a working set of documents	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	Jan 31, 2011	Training has begun and is on-going



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	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 and data will be transferred in early February
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	Second draft in review; Meetings with Deputy Superintendents will start in the next few days
	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	May 15, 2011, first quarterly reports	Submission of CAP to US ED scheduled on or before Feb 15, 2011
	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	A&M is continuing to monitor 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	Initial investigation is in progress
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 and a report of inventory findings will be presented on a quarterly basis; First report is expected Apr 30, 2011	GDOE hired a new Supply Management Director effective January 8; This new Director will reorganize the supply chain units and coordinate new SOPs in conjunction with the release of the CCAP
	Payroll	Clean drawdown request for payroll expenses	Dec 15, 2011	Processed the first Education Jobs Grant reimbursement in late December; Revised



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				reimbursement procedures based upon first two experiences and review of exception reports from those reimbursements; December reimbursements will occur in the next few days
	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	First requisitions have been processed by A&M using the MUNIS system
	Procurement	Monthly summary of completed purchases and procurement actions	Feb 5, 2011	Training for MUNIS is on-going; GDOE has a new attorney as well as a new Supply Management Director; We are in the second week of daily meetings to coordinate procurement efforts with the two new leaders
	Records management	EDGAR compliant transaction document files	Dec 29, 2010	All current records are being tracked in MUNIS
	Cash management	Compliant daily bank balance reports	Dec 29, 2010	All current records are being tracked in MUNIS
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	Initial draft of Payroll SOP completed and undergoing review process for implementation on Jan 31st
	Implement compliant payroll processes and system setup	Bi-weekly report of payroll exceptions	Dec 15, 2010	Process has been revised to expand to all Federal Grants and improve processes to eliminate many of the exceptions from the first two reimbursement events
	Document and maintain records appropriately	Publication and external auditor verification of compliance with	Jan 31, 2011	Process has been revised to expand to all Federal Grants and



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		SOPs		improve processes to eliminate many of the exceptions from the first two reimbursement events
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 after USDOE approval is obtained and test draws have been successfully completed	Bank reports are available for tracking online through Bank of Guam for account tracking and were reviewed after drawdowns occurred
	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 in late Jan 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	Monthly Grant Status Report under development
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	
	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	Letters were sent to current GDOE vendors; Vendors have been following up related to planned procurements – trying to gain information on future actions; Replies continue to be received and reviewed
	Establish procurement processes and system functions	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	In progress; Working with GDOE's new Director of Supply Management and Legal Counsel to develop procurement work flows and training procedures



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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	Second Draft of Fixed Assets Inventory Management has been completed
	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	A 4 <sup>th</sup> school was visited and a test inventory of items purchased with USDE grants was completed. An inventory of all items purchased with USDE grant funds is being built based upon examination of purchase orders completed since 2007. This inventory will serve as the data for physical inventories with reconciliation to be completed this spring.
	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	
	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	Compliant financial transaction files	Dec 31, 2010, as inclusion in the training materials for GDOE MUNIS users	In progress



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	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.			
Reporting	Conduct reconciliations on a monthly and quarterly basis	Reconciliation Reports Monthly and Quarterly	Ten working days after end of month or quarter	
	Define other custom reports as necessary to support operations	Special reports and analyses	Sep 15, 2011	Monthly grant status report under development
	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	Monthly	In Progress; Monthly project management reports are being 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	On going
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		Clarification has been provided by the new Guam Attorney General including the submission to the Speaker of the Legislature of 3 amendments to current laws to facilitate the GDOE procurement process



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements	Final procurement documents accepted by AG		In progress; Working with GDOE's new Director of Supply Management and Legal Counsel to develop procurement work flows and training procedures

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

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

- Establish training schedule (MUNIS) for GDOE end-users
- Conduct procurement-related training for GDOE end-users
- Continue working with GDOE's new Director of the Office of Supply Management (Marcus Pido) to establish procurement work flows and refine operating procedures
- Continue working with GDOE's new Legal Counsel (Rebecca Santo Tomas) to refine procurement-related documents and move requisitions through the review process
- Finalize and submit the 2<sup>nd</sup> draft of SOPs for GDOE review
- Define any additional support required to support procurement activities