



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 5

February 15, 2011



### **Overview of Accomplishments and Activities – January 15, 2011 – February 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. Bill Roberti recently visited the team on Guam and made several observations worth noting, including: a) concerns regarding Sodexo's plans for facility electrical upgrades in light of GDOE's planned technology initiatives; and b) concerns regarding GDOE's ability to properly secure facilities and, therefore, goods purchased with federal grant funds. The MUNIS system continues to operate efficiently and reimbursements to date total over \$13.9 million. Identified GDOE personnel have been successfully trained in MUNIS. GDOE's new Legal Counsel and Director of the Office of Supply Management are continuing to steadily move procurement efforts along at a much faster pace than previously exhibited.

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

- A cross reference has been created the two computerized financial management systems and prior data is being entered into the MUNIS system with each grant reconciled to G5 in the process
- Finished the training of GDOE anticipated users in MUNIS
- The RFP for the FMIS was publicized; proposal submissions are due on March 3, 2011
- Continued to attend twice weekly procurement status meetings with the Superintendent 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; Continuing to refine the process
- The draft of the Comprehensive Corrective Action Plan has been completed and is being reviewed by the Superintendent and the Deputy Superintendent
- Participated in two conference calls with the Title V program office of the US Department of Education in addition to the routine calls with Risk Management
- Planning to attend a technical assistance meeting with the Superintendent in Washington D.C. at the request of the Title V Office scheduled for the third week of March

**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	No Update; Staffing adjustments 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 Dec 31, 2010 2 <sup>nd</sup> Draft 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	Jan 31, 2011	Training has begun and is on-going



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		population		
	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. First payments from AP will occur in late February.	<i>A cross reference exists for the two computerized systems and data will be transferred in early March</i>
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	<i>Draft submitted to Superintendent and Deputy Superintendent for review and comments; Awaiting feedback</i>
	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	Initial reporting period per CAP draft to begin February 1, 2011, with report due to US ED on or before May 15, 2011; Submission of CAP to US ED for review and approval initially scheduled by 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 by Deloitte & Touche 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;	A complete physical inventory of all fixed assets over \$500 purchased with USDOE Grant funds is underway; The



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			First report is expected Apr 30, 2011	inventory is being built by reviewing all the purchase orders and receiving documents year by year from 2007-Present
	Payroll	Clean drawdown request for payroll expenses	Dec 15, 2011	Completed Payroll Reimbursements to GDOE for CG-DG and Ed Jobs for PPE's (12/4/10 thru 2/2/11); Total payroll reimbursements to GDOE to date is <b>\$13,980,765</b>
	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 batches of payables transactions are being processed through MUNIS.
	Procurement	Monthly summary of completed purchases and procurement actions	Feb 5, 2011	MUNIS training is complete; First procurement-related transactions in MUNIS have begun to take place; Continued coordination with Director of Supply Management and Legal Counsel is ongoing
	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	All 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	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	Activities to improve GDOE payroll and personnel processes are currently underway, with emphasis on general ledger/labor cost analysis and



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				creation of inter-department communication/efficiency
	Document and maintain records appropriately	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	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
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	Monthly Status report has been through a couple of revisions. Report will be issued in early March; A preliminary copy has been shared with the Superintendent
	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	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	Review of an authorized vendors list and monthly tracking o procurement actions	Nov 15, 2010	In progress



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	doing so, must comply with the provisions for procurement.			
	Establish procurement processes and system functions	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	In progress
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	Ongoing; Continuing to refine Fixed Asset Inventory Management policies and procedures
	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	In progress
	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	Initial review shows that 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	Compliant financial transaction files	Dec 31, 2010, as inclusion in the training materials for GDOE MUNIS users	In progress



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	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	First status report to be issued in March. Reconciliation to G5 to follow.
	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	Ongoing; Opportunities for improvement continue to be identified and discussed with GDOE on a regular basis
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		Ongoing
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance	Final procurement documents accepted by AG		In progress; Working with GDOE's new Director of Supply Management and Legal Counsel





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	requirements			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:

- Review/Comments from the Superintendent and Deputy Superintendent regarding the CCAP
- Establish processes and procedures for securing purchased goods at GDOE facilities
- 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 SOPs for GDOE review
- Define any additional support required to support procurement activities
- Continue importing prior activity into the MUNIS system and reconcile to G5
- File late liquidations for small draws requests that failed on Dec 30, 2010 as well as a couple of 2007 items
- Continue to refine understanding of payroll adjustments and impact on reconciliations