



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 9

June 15, 2011



### **Overview of Accomplishments and Activities – May 15, 2011 – June 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 functioned for approximately ten months. In February Bill Roberti and Melissa Glynn assisted in setting up meetings for Governor Calvo and Superintendent Underwood with a number of executives of the US Department of Education regarding the reprogramming of the SFSF grant. A tentative agreement was developed during these meeting that will allow the Governor's Office to reprogram approximately \$60 million dollars of the SFSF grant replacing various Capital Improvement Projects and Technology enhancement projects with support of personnel involved in classroom instruction for the period of October 1, 2011 through September 30, 2011. The Legislature of Guam has passed a bill which implements the changes required for the reprogramming to be acceptable to the USDOE. The legislation was passed and signed. The grant has been revised and forwarded to the Governor's office for submission to USDOE.

The announcement soliciting applicants for the Superintendent of Education has been advertised. When the May 16 deadline for applications approached without any submissions the Board extended the deadline until June 30. Dr. Underwood has released a statement indicating that she will accept an extension of her contract to allow for a transition to a new Superintendent.

The Superintendent and Chairman of the Board of Education held meetings with the CIP project management team, both contractors and supporting administrative groups participating in the Capital Improvement Projects. Issues surrounding the work of both contractors and the project management team were discussed with the Superintendent scheduling weekly meetings with all players to insure that all members of the project are working together.

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

- The RFP for the FMIS progressed through the procurement process with three potential vendors making day long presentations of the software offering and conversion methodology during the week of April 11-15. A preferred vendor has been selected and the contract is being negotiated.
- Continued to attend twice weekly procurement status meetings with the Superintendent to monitor and track progress.
- Continued drafting Standard Operating Procedures (SOP), with some parts being reviewed by GDOE staff.



- 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 an automated timesheet has been designed and is in testing. Currently searching for a method to integrate with the current payroll system.
- Participated with the Governor's Office, BBMR, GDOE and the Guam Legislature to facilitate the passage of a bill to set up a trust account and legal basis for the reprogramming of the SFSF grant to move \$60 of that grant into payroll reimbursement with the proceeds of the reimbursement going into a trust account to be used for CIP and Technology Improvements. A revision to the SFSF grant is on its way to the USDOE.
- Attended the Superintendent's weekly meeting for coordinating the Capital Improvement Projects.
- All funds have been utilized in the Education Jobs Grant. Total payroll reimbursements to GDOE have total \$36.9 million since the December 2010 authorization to draw funds.
- Developed a training program for use with the GDOE Supply Management Personnel. An additional buyer has been hired by GDOE and two interns have been hired through UOG to assist with the smaller procurement items that have been languishing within the Supply Management office due to the number of larger procurement events that are in progress.
- A procurement s are underway that will provide new laptops to all teachers within the system and for wiring several school to establish internet to the classrooms.

### **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.



COMMENTS HIGHLIGHTED IN GREEN ARE NEW COMMENTS ADDED TO THE CHART FOR JUNE 15.

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 And continuing to monitor for effectiveness.	Complete; 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 population	Jan 31, 2011 And continuing to monitor for effectiveness.	Initial training is complete. On-going
	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.
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	Deputy Superintendent Taitano is reviewing the draft with her staff to incorporate additional



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
			USDOE	commitment in to the CCAP. A review with the Board of Education has been scheduled for the morning of June 23.
	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	July 15, 2011, first quarterly reports	Reporting will be quarterly after initial submission to USDOE.
	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	The audit finding for 2010 have been release by the Superintendent.
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	Initial investigation complete. Next steps will occur when need arises.
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.	<b>Inventory of items purchased since October 1, 2006 has been constructed. A procedure for taking physical inventories has been developed and initial inventories are being conducted on a organization by organizational basis This inventory is being conducted by A &amp; M with assistance of GDOE. Completion will be early fall.</b>
	Payroll	Clean drawdown request for payroll expenses	Dec 15, 2011	Complete. Reimbursements for payrolls are occurring regularly
	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	Complete. Processing occurring routinely.



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
			effectiveness	
	Procurement	Monthly summary of completed purchases and procurement actions	Feb 5, 2011 And continuing to monitor for effectiveness	Complete. Processing occurring routinely.
	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	Bank accounts reconciled on a daily basis.
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, with emphasis on general ledger/labor cost analysis and creation of inter-department communication/efficiency. A new concept to bring everyone to agree on a reconciliation process has been developed and is being implemented Week of May 16.
	Document and maintain records appropriately	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011 And continuing to monitor for effectiveness	<b>A &amp; M uses a three way match to reimburse payroll costs. To this point in time GDOE has not resolved any of the match failures. A &amp; M is nearing completion of a reconciliation report that will document these match failures to GDOE in an effort to resolve the failures.</b>



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
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.	Use of ACH distributions to US Mainland vendors now in place. Cash management implementation now complete.
	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		
	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	Starting with June twice monthly grant status will be distributed to GDOE management to assist with grant management.
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	A & M starting a project to prepare new SOP's and Training Materials for Office of Supply Management. The first training session will be held June 20.
	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	Complete. Vendors will expand as procurement occurs.
	Establish procurement processes and system functions	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011	On-Going



Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
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	Implementation on-going.
	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.	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 And continuing to monitor for effectiveness	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 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	Complete





Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Tracking Updates
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	We have three reports being developed by Tyler Technologies to assist with management of the grants and insure proper accounting records.
	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 And continuing to monitor for effectiveness	Ongoing; Opportunities for improvement continue to be identified and discussed with GDOE on a regular basis
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		Completed several templates for use in procurement which have been accepted by the GDOE. Revisions prepared as needed for unique projects.
	Conduct procurement training for GDOE Supply Management staff consistent with federal compliance requirements	Final procurement documents accepted by AG		A & M starting a project to prepare new SOP's and Training Materials for Office of Supply Management.



ALVAREZ & MARSAL

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

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

- Review CCAP to with Guam Board of Education on June 23, 2011.
- Continue working with GDOE's new Director of the Office of Supply Management (Marcus Pido) to revise standard operating procedures, develop templates and provide training of staff and end users.
- Work with the Federal Programs Office to revise the ARRA Consolidated RLIS grant.
- Prepare recommendations for improving the process for managing the Capital Improvement Projects.
- Assist GDOE in development of the Contract for Installation of the FMIS system. Mike McKenna will assist in this process working from his office in New York.
- Assist in the procurement of a Project Manager for the FMIS installation.
- Report the details to GDOE of the three way match failures from Payroll reimbursement.