



ALVAREZ & MARSAL

Third Party Fiduciary Agent

Guam Department of Education

In partial fulfillment of Contract: 011-2010

Monthly Project Status Report

Report 12

September 15, 2011



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### **Overview of Accomplishments and Activities – August 15, 2011 – September 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, 2010.

In performance as the TPFA, A&M has functioned for approximately twelve 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 approved by USDOE. Establishment of the trust fund is still pending as of September 14.

The applications for the Superintendent of Education position has been reduced to two primary candidates and interviews were conducted by the Board of Education. No public announcements have been made by the board in regards to the results of those interviews. Taitano M. Taitano has been appointed Acting Superintendent while the search is finalized.

A&M has prepared the list of personnel to be used in the reimbursement of the SFSF grant and to establish the trust account. The Guam Economic Development Authority is responsible for establishing the trustee for the trust account. This agency has had difficulty in establishing the scope of responsibilities for the trustee. The most recent activity has been to request that the Guam Legislature pass an amendment to substitute an account under the control of GDOE to replace the formal trust account. The legislature passed the substitute concept as an amendment to the 2012 Guam Budget. Unfortunately, the Governor vetoed that budget bill and the discussions for a replacement budget are on-going.

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

- The contract for the Financial Management Information System has been signed with Tyler Technologies and implementation is now underway. The initial meetings between the Tyler Implementation Team and the GDOE Implementation Team started on Sept. 14 and will continue through Sept 16.



- A vendor to serve as Project Manager for the installation of the FMIS has been selected with contract development underway.
- A&M continued to attend twice weekly procurement status meetings with the Acting Superintendent to monitor and track progress and prepare the Procurement Stop Light Report.
- Activities to improve GDOE payroll and personnel processes are currently underway. The consolidated error report for the first 26 pay periods reimbursed by A&M has been reviewed by operating units of GDOE with an additional \$1.3 million recovered. A second report has been distributed with responses due Sept 23.
- A procurement is underway that will provide new laptops to all teachers within the system. A preferred vendor has been identified and the procurement process is in the next steps.
- Several new required procurements were identified by Damien Drab, an A&M technology expert which will improve operational performance of the system once the teacher laptops are distributed.
- Routine reports for grants are being distributed at least twice monthly for all grants expiring September 30, 2011.
- The CCAP has been reviewed by USDOE with recommended changes being prepared for submission back to USDOE by the end of September.
- A&M has provided staff augmentation personnel to assist in the closing of the procurement processes for the September 30 expiration of a number of grants. Four additional personnel have been on island to assist in the procurement process.
- Damien Drab also set up a secure website to facilitate the sharing of information in the procurement process. The site uses the Microsoft SharePoint software as the mechanism for the site. This enables all players in the procurement process to have a convenient source for the most current information about each procurement action.



**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 And continuing to monitor for effectiveness.	Temporary personnel are being introduced to the Guam team to insure that procurements are completed prior to Sept. 30 deadline for various grants.
	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,	Reconciliation report confirming complete and accurate transfer of	By 10 <sup>th</sup> of the month after the first drawdown transaction.	A cross reference exists for the two computerized systems.



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	communicating information to GDOE's FMS contractor and providing feedback to GDOE and the USDOE on GDOE's implementation of the FMIS.	3 <sup>rd</sup> party financial records to GDOE's FMIS		
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	The CCAP has been submitted to USDOE and comments received back. Revisions are being prepared for submission to USDOE by Sept. 23rd.
	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	Oct. 15, 2011, first quarterly reports	Reporting will be quarterly after initial submission to USDOE. The first report is due October 15.
	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	Currently preparing for the 2011 A-133 Audit. GDOE and OPA are finalizing the contract and engagement letter with the selected auditor.
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	No current In-Kind evaluations required.



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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.	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 an organizational basis. This inventory is being conducted by A&M with assistance of GDOE. Completion will be early fall.
	Payroll	Clean drawdown request for payroll expenses	Dec 15, 2011	Complete. Reimbursements for payrolls are occurring regularly. A consolidated error report has been prepared and reviewed by GDOE. A significant additional reimbursement (approximately 1.3 million) has been processed. A second report has been distributed for pay periods after the first report with responses due no later than September 23rd.
	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	Complete. Processing occurring routinely.
	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	Dec 29, 2010	Bank accounts reconciled on a



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		reports		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
	Document and maintain records appropriately	Publication and external auditor verification of compliance with SOPs	Jan 31, 2011 And continuing to monitor for effectiveness	A&M uses a three way match to reimburse payroll costs. To this point in time GDOE has not resolved any of the match failures. As a result of the error report reconciliation being completed by GDOE we will have several improvements made to the data collection going forward. The employee roster of federal employees will receive a great deal of future attention to eliminate a number of errors in the process. Also TDR processing will receive a renewed focus.
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	Monthly report showing grant		



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	requests are supported by appropriate documentation and documentation is maintained for an appropriate period of time.	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. These will be delivered in early October.
	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 of 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	October will see the completion not only of the revised GDOE SOPs but also three new end user training programs. The objectives of these training programs are to educate the field personnel in how to prepare for procurement, what to expect in the process and how to participate in major procurements using RFPs and IFBs.





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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	Implementation on-going. We are procuring a BMI scanning system for use in asset tracking, receiving and taking inventory. This system work with the Tyler Technology MUNIS system being implemented by 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.	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



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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. This support will wind down in October once completion of the ARRA procurement process has been completed.
	Conduct procurement training for GDOE Supply Management staff	Final procurement documents accepted by AG		A&M starting a project to prepare new SOP's and Training

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	consistent with federal compliance requirements			Materials for Office of Supply Management. Delivery is scheduled for October.

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

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

- Finalize all procurements for the 2009 Consolidated Grant as well as the ARRA RLIS and SFSF grants prior to the expiration September 30.
- 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. A training program will be held for end users of the GDOE Procurement process by James Ludwig in late August.
- Support the implementation efforts for the FMIS.
- Report the details to GDOE of the three way match failures from Payroll reimbursement and assist in the determination of any additional reimbursement for GDOE.
- Assist GDOE in transfer of the \$60 million to the trust fund once revisions of the SFSF grant is approved by USDOE.
- Support the start of the A-133 audit once the contract has been finalized by GDOE and the Office of Public Accountability.