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Nerissa Bretania Underwood, Ph.D.
Superintendent of Education

June 27, 2011

MEMORANDUM

TO: Guam Education Board

FROM: Superintendent of Education

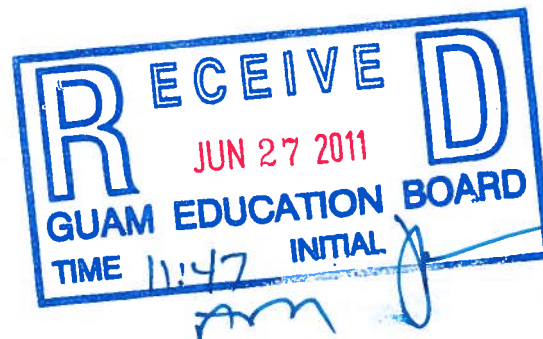
SUBJECT: Comprehensive Corrective Action Plan (CCAP)

Attached is the Comprehensive Corrective Action Plan (CCAP) that was reviewed in the committee working session on June 23, 2011. The document is submitted for final review by the Guam Board of Education prior to submission to the U. S. Department of Education.

The CCAP has been prepared by Alvarez & Marsal as the Third Party Fiduciary Agent with additional details provided by the Finance and Administration departments of the Guam Department of Education. It has been prepared to address those administrative issues documented in past audit reports as well as the requirements in the Special Conditions imposed by the U. S. Department of Education. As discussed in the working session, additional corrective actions will be added as the new Financial Management System is installed and the opportunities to develop new operating concepts are formulated.


NERISSA BRETANIA UNDERWOOD, Ph.D.

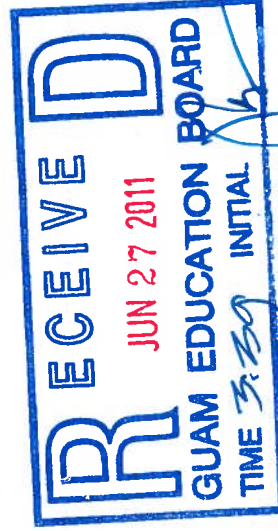
Attachment



Guam Department of Education

Comprehensive Corrective Action Plan

Presented to the U.S. Department of Education in Fulfillment of the Federal Fiscal Year
2010 Special Conditions



Guam Department of Education
June 24, 2011

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Introduction

In September 2003, the U.S. Department of Education (US ED) designated the Guam Department of Education (GDOE) a "high-risk" grantee under the authority of 34 CFR § 80.12. This was based on the US ED's determination that GDOE lacked fiscal and programmatic accountability in the administration of Federal education programs as evidenced by its failure to provide the Department with timely and complete single audits, as required by the Single Audit Act, and by the auditors' declaration that GDOE's records for FFYs 1998-2000 were not auditable.

In the special conditions imposed on GDOE's FFY 2007 grant awards, US ED required GDOE to develop a Comprehensive Correction Action Plan (CCAP) to address the underlying problems associated with its high risk designation. The CCAP was meant to address persistent problems related to GDOE's internal controls, including accounting and reconciling its financial records for Department grant funds in accordance with Federal requirements; implementing monitoring to ensure that grant and subgrant-supported activities are carried out in accordance with Federal program statutes, regulations, and other requirements; instituting procurement and property management procedures that comply with Federal requirements; and implementing appropriate cash management procedures. GDOE developed a CCAP, but has since failed to make significant progress in implementing the CCAP measures. In particular, GDOE had not made substantial progress in implementing its Financial Management Improvement Plan (FMIP), a core feature of the CCAP that involves implementing a Financial Management Information System (FMIS) to enable GDOE to significantly improve its financial management of Department grant awards.

In a letter dated September 28, 2009, US ED notified GDOE of its concerns regarding the limited progress that GDOE had made in addressing the fiscal management deficiencies that affect its administration of US ED funds. US ED's conclusion that GDOE had made limited progress was based on several findings that US ED made during their July 2009 onsite visit to validate the GDOE's biannual CCAP reports. The September 28th letter documented these findings and noted that many of the critical actions required under the CCAP had not been implemented to the extent reported in the biannual reports. Furthermore, US ED required GDOE to demonstrate why US ED should not begin to take immediate action under the terms of the FFY 2008 and 2009 special conditions and other applicable Federal requirements.

Based on GDOE's written response submitted on October 13, 2009, US ED concluded that GDOE had failed to make substantial progress on the objectives of the CCAP, including implementation of the FMIP, and that GDOE's response did not show that it would be able to make substantial progress under the CCAP, independent of additional administrative action from US ED. In its determination letter dated

November 2, 2009, US ED emphasized a number of areas in which GDOE was to have made substantial progress over the last two years of CCAP implementation, including implementing the FMIS, developing and implementing its Management Internal Controls program to institute necessary internal controls for GDOE to engage in effective financial management and procurement operations, and implementing policies and procedures to validate and reconcile fixed-asset property. The lack of progress in these key areas indicates that US ED funds awarded to GDOE remain at risk of inadequate fiscal management and administration.

Therefore, in accordance with section II.H of the FFY 2008 and 2009 special conditions applicable to US ED's grant awards to GDOE, US ED issued amended special conditions to GDOE dated November 25, 2009, which notified GDOE that it would require GDOE to procure the services of a third-party fiduciary agent (Agent), acceptable to US ED, to perform the financial management duties required under Federal regulations for all Department grant awards made to GDOE. The requirement for a third-party fiduciary agent is also stipulated in special conditions to GDOE dated June 21, 2010 (2010 Special Conditions). Because GDOE has not met the requirements in Part 80 of Education Department General Administrative Regulations (EDGAR) regarding the management of US ED funds by States, these special conditions require GDOE to comply with regulations that normally would apply to non-State governments.

The 2010 Special Conditions require GDOE to revise the CCAP to ensure that it will be able to achieve real, measurable progress in its financial management and administration of US ED funds. Additionally, GDOE must revise the process for reporting progress made under the CCAP so that US ED may receive a meaningful and accurate assessment of GDOE's progress on a quarterly basis. While the 2010 Special Conditions form the basis of this revised CCAP, consideration has also been given to interviews with several GDOE business office personnel, the Evergreen Solutions Management and Curriculum Audit dated April 3, 2009, the Deloitte & Touche 2009 GDOE Independent Auditors' Report and report on internal control over financial reporting and on compliance and other matters, and the U.S. Department of Education's July 2009 Validation Site Visit Report of the GDOE's CCAP. The findings from these other sources, which are similar to those contained in the 2010 Special Conditions, can be grouped into the following five key areas including (1) Procurement of goods and services; (2) Fixed asset management and reporting; (3) Implementation of a Financial Management Information System; (4) Employee time tracking and reporting; and (5) Internal controls and procedures. Following is a brief description of these areas:

Procurement -- includes compliance with the provisions for procurement set forth in 34 CFR §§ 80.36(b)-(j). In addition, the 2010 Special Conditions require that GDOE provide effective oversight of proposed procurements including, but not limited to, training of staff on, and reviewing all requisitions against, local and Department requirements for procuring goods and services;

Property Management – ensures that all tangible personal property procured under Department grants is managed in accordance with the requirements of 34 CFR §§ 80.32(a) and (c)-(g) to ensure that such property is properly inventoried, maintained, and stored to safeguard against loss, damage or theft of such property;

Financial Management Information System – a core feature in the CCAP that will enable GDOE to significantly improve its financial management and reporting of Department grant funds as required under the applicable provisions of the Education Department General Administrative Regulations (EDGAR);

Employee Time Tracking – consistent with OMB Circular A-87, involves establishing and maintaining an effective process for tracking and reporting time and effort spent by all employees whose salaries are paid with US ED funds;

Internal Controls and Procedures – provides for internal controls required to meet Federal program requirements. Effective control and accountability must meet standards of Financial Reporting, Accounting Records, Internal Control, Budget Control, Allowable Cost, Source Documentation and Cash Management.

The CCAP is intended to provide resolution to longstanding issues detailed in the 2010 Special Conditions and bring GDOE into compliance with Education Department General Administrative Regulations (EDGAR). The CCAP will provide US ED with specific action items, target dates and GDOE personnel responsible for resolution of those issues. The successful completion of the CCAP will also assure US ED that the GDOE can resume satisfactory administration and management of US ED's grant funds and programs.

Given the significance of meeting the requirements of the 2010 Special Conditions, GDOE requests an opportunity to formally present the CCAP. The formal presentation will support exchange of information at a greater level of detail, provide interactive dialogue and a forum to clarify any outstanding concerns. GDOE maintains that the CCAP provides an opportunity to reset the baseline for performance expectations, success criteria, and implementation timelines.

Corrective Action Planning Approach

The CCAP provides a progress report against the 2010 Special Conditions, and identifies specific implementation activities and performance indicators. Given changes in GDOE's federal funds management environment, most notably the role of the third party fiduciary, modifications to the implementation activities required to achieve the improvements is appropriate. GDOE remains committed to achieving the significant activities identified in the 2010 Special Conditions which are detailed in the CCAP and include at a high level:

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- Development and improvement of information systems, processes and control environment;
- Implementation of a fixed asset inventory management system;
- Adherence to financial and grants management requirements;
- Implementation of a process for employee time tracking and reporting;
- Development of policies and procedures to strengthen procurement processes.

Implementation Planning

Provided with the CCAP is an implementation plan organized by issue area defining the implementation activity, responsible parties, timelines for expected accomplishments and associated performance measures. It centers on achieving the performance measures featured in the 2010 Special Conditions given that they are relevant and timely. To support the implementation activity, the responsible GDOE management personnel will prioritize dedicated resources and provide status updates to meet reporting requirements. Additionally, the activities and progress of responsible individuals or committees will be periodically reviewed to ensure that they are dedicated to successful implementation and provide oversight, coordination and collaboration across the implementation plan.

Reporting and Ongoing Communication

The 2010 Special Conditions require that GDOE revise the CCAP progress reporting process so that US ED receives a meaningful and accurate assessment of GDOE's progress. Upon US ED's approval of the revised CCAP, GDOE will be required to provide quarterly reports to US ED on its progress in implementing measures required under the CCAP, using the revised process that it develops as required above. The 2010 Special Conditions also specified that the Agent will play a critical role in assessing GDOE's progress in meeting the objectives of the CCAP, and that GDOE will obtain assistance of their internal auditor in reviewing and validating quarterly reports for accuracy prior to submission.

Recommended Implementation Actions and Target Dates

The 2010 Special Conditions require GDOE to work with US ED and Agent to develop a CCAP containing tasks addressing the fiscal deficiencies in administering US ED grant awards. As stated above, the CCAP must include tasks with measurable objectives and completion dates, developed to correct a number of recurring findings and identified weaknesses. The table below provides an overview of the implementation actions associated with the Plan. Actions are grouped by their issue area based on the 2010 Special Conditions including Procurement, Fixed Asset Management and Reporting, FMIS (Financial Management Information System), Employee Time Tracking and Internal Control Procedures.

The objectives and implementation activities will be tracked and reported to US ED each quarter. The quarterly reports will provide the implementation status for each activity, will highlight any risks associated with successful completion, and will also identify any changes which require altering the action and/or timelines.

Quarterly progress reports will be due on or before the fifteenth day following the end of each calendar quarter. Due to the expected submission of the CCAP to the GDOE and US ED as scheduled in the updated Performance Plan, the first quarterly report will be due on or before October 15, 2011. The required reporting schedule is presented below:

Reporting Period Start	Reporting Period End	Report Due to US ED
July 1, 2011	September 30, 2011	On or before October 15, 2011
October 1, 2011	December 31, 2011	On or before January 15, 2012
January 1, 2012	March 31, 2012	On or before April 15, 2012
April 1, 2012	June 30, 2012	On or before July 15, 2012

Responsibility for providing reports and report format

Upon US ED's approval of a revised CCAP, the 2010 Special Conditions require GDOE to provide quarterly reports to US ED on GDOE's progress in implementing measures required under the CCAP. While the 2010 Special Conditions don't specify a particular format for the progress reports, it is anticipated that each report will, at a minimum, include the implementation status for each activity, highlight any risks associated with successful completion, and also identify any changes which would require modifying actions and/or timelines. GDOE is committed to working with US ED in revising the quarterly reporting process to ensure that US ED receives a meaningful and accurate assessment of GDOE's progress.

In addition, the 2010 Special Conditions require that Agent comply generally with the requirements of 34 CFR § 80.41 regarding financial reporting. Specifically, the Agent must produce quarterly reports concerning financial transactions of GDOE for submission to US ED, detailing for each grant award, including for each individual program for which GDOE is using Consolidated Grant funds: (a) the date of receipt and amount of each approved payment request; (b) the date and amount of each draw down deposit; (c) the date and amount of each payment or disbursement by the Agent; and (d) any interest or other funds remaining in the account at the end of the quarter. These amounts must also be grouped by, and comparable with, the projections in the line item budgets provided by GDOE, and must be reconciled with US ED's GAPS/G5 Grants Management System. The reconciliation must include draw down dates and amounts, and available balances, by award. These reports are due to US ED within ten working days after the end of each quarter.

In order to facilitate the quarterly reporting process, both GDOE and its selected Agent, Alvarez & Marsal, Public Sector Services will be available to conduct conference calls and provide additional details as needed in support of the report submission.

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Issue Area	Action Item	Target Completion Date	TPFA Interim Actions	GDOE Responsible Function	Performance Indicators
Procurement	Ensure that all procurement policies and procedures comply with the procurement provisions contained in 34 CFR §§ 80.36(b)-(j).	August 31, 2011	Agent has the responsibility to ensure that US ED funds are used only for allowable costs, including costs that are necessary, reasonable, and allocable to the respective grants as required by OMB Circular A-87, and that are procured in accordance with applicable procurement requirements in 34 CFR §§ 80.36(b)-(j).	GDOE Supply Management Administrator. Coordinating Offices – GDOE Legal & Federal Programs	Implementation of revised Procurement SOP; trained procurement personnel; reduced sole source procurements; reduced emergency procurements; lower cost purchases.
Property Management	Develop and implement policies and procedures to ensure that all tangible personal property procured under Department grants is managed in accordance with the requirements of 34 CFR §§ 80.32(a) and (c)-(g).	July 31 2011	Payments for property and services paid for with federal funds are managed by the third party fiduciary and follow the terms of the 2010 Special Conditions for federal grants. The Special Conditions require adherence to 34 CFR § 80.32 (a) and (c)-(g) related to inventory practices and timeliness of procurement	GDOE Supply Management Administrator.	Implementation of revised Fixed Asset Management SOP; internal controls over the use, safeguarding, maintenance, disposition and accounting for GDOE fixed assets; improved property management reporting.

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Issue Area	Action Item	Target Completion Date	TPFA Interim Actions	GDOE Responable Function	Performance Indicators
Property Management	Communicate and promote awareness of policies, procedures and responsibilities related to property management and procurement, including training specific to school principals regarding their role and responsibilities regarding property management.	Sept. 30, 2011	practices. The Third Party Fiduciary will publish fixed asset management policies and procedures, and provide external verification of compliance with written and approved SOPs.	GDOE Supply Management Administrator.	Increased accountability and ownership of property management policies and procedures; increased useful life of property through improved security, maintenance and accounting for fixed assets.
FMIS	Design and implementation of a Financial Management Information System that enables GDOE to significantly improve in financial management	Sept. 30, 2011	Implementation and maintenance of the Tyler-MUNIS ERP solution in December 2010.	Financial, Student, Administrative, Information System (FSAIS) Director.	Significantly improved financial management of US ED grant awards in accordance with federal requirements. Improved systems and application controls to ensure integrity and stability of financial data processing.
Employee Time Tracking	Develop and implement effective policies and procedures that provide for an effective process for tracking	December 31, 2011 (est.) -- concurrent with implementation of FMIS	The Agent has implemented procedures for tracking and reporting salary costs among US ED grants. These	GDOE Personnel Department and Federal Programs Senior Management.	Written and approved SOPs, including training for applicable GDOE personnel, to ensure: a. Accurate and up-to-date

Issue Area	Action Item	Target Completion Date	TPFA Interim Actions	GDOE Responsible Function	Performance Indicators
	<p>and reporting time spent by all employees whose salaries are paid with US ED grant funds.</p>		<p>procedures currently include a three-way match to be performed prior to GDOE reimbursement. The three-way match consists of comparing (1) the Federal Programs Staffing Pattern maintained by GDOE Federal Programs personnel, (2) the Time Distribution Reports submitted by employees, and (3) the Labor Cost File for the applicable period created by the GDOE payroll personnel.</p>		<p>employee staffing lists based on notices of personnel actions.</p> <p>b. Accurate and timely time distributions among funding sources for split-time employees, and proper allocation of salary costs among US ED grants.</p> <p>c. Accurate and properly executed time distribution reports and attendance records .</p> <p>d. Properly executed and timely semiannual certifications.</p> <p>e. Internal control checklists to</p>

Issue Area	Action Item	Target Completion Date	TPFA Interim Actions	GDOE Responsible Function	Performance Indicators
Internal Controls and Procedures	Implementation of an Internal Controls Program	December 31, 2011 (est.) -- concurrent with implementation of FMIS	The Agent's role encompasses fiscal control and accounting procedures that meet federal requirements.	Deputy Superintendent for Finance and Administration, Accounting Controller.	ensure compliance with Circular A-87. Institutionalized internal accounting controls to ensure consistently reliable financial information required for successful operation of GDOE and compliance with regulatory requirements and efficient and timely single audits.

Procurement

Background and Status

The 2010 Special Conditions, US ED's July 2009 Validation Site Visit Report and the April 2009 Evergreen Management and Curriculum Audit report all identified significant deficiencies in GDOE's compliance with applicable procurement requirements. In the Special Conditions imposed on GDOE's FFY 2007 grant awards, US ED required GDOE to develop a Comprehensive Corrective Action Plan (CCAP) to address the underlying problems associated with its high-risk status. The CCAP was meant to address, among other things, persistent problems related to GDOE's internal controls, including instituting procurement processes that comply with Federal program statutes, regulations, and other requirements. US ED's Validation Site Visit conducted July 13-20, 2009 found that GDOE was not in compliance, and reported procurement operations to be the weakest area within GDOE. Consequently, the 2010

Special Conditions require that GDOE permit funds to be expended only for costs that are allowable under the respective grant programs, in accordance with 34 CFR § 80.22 and Office of Management and Budget (OMB) Circular A-87. For purposes of the Consolidated Grant, GDOE must permit funds to be spent only for allowable costs under, and included in, each US ED-approved Consolidated Grant plan applicable to the fiscal year in which the costs were obligated. Furthermore, Agent has the responsibility to ensure that US ED funds are used only for allowable costs, including costs that are necessary, reasonable, and allocable to the respective grants as required by OMB Circular A-87, and that are procured in accordance with applicable procurement requirements in 34 CFR §§ 80.36(b)-(j).

The Evergreen Solutions Management and Curriculum Audit report dated April 13, 2009 found that GDOE lacked an effective accountability system over procurement, and that the school system was experiencing frustration with consistency and responsiveness relative to procurement. The report went on to point out that a critical success factor for the development of a dynamic school district involves the procurement of essential supplies and services both for the schools and the central office. School systems must provide their schools with the supplies necessary to carry out their programs, but also need to be innovative in their purchasing activities, while striving to provide better goods and services to schools and better value to taxpayers. Evergreen recommendations included improving its accountability system for procurement by eliminating excessive and unnecessary use of emergency procurement, updating operating procedures, complying with such newly adopted procedures, and improving procurement processing and documentation. Evergreen also recommended that GDOE develop and implement (1) a communication and training process for the GDOE Procurement Manual, and (2) a compulsory training program for all GDOE staff that are involved in the procurement process.

Competitive procurement practices are being established through policies, procedures and training resulting in documented bid processes which consider three reasonable vendors for single purchase orders, and establishment of blanket purchase orders for recurring purchases. The third party fiduciary is supporting compliance and is assisting GDOE in indentifying vendors and reviewing all bid documentation as well as receiving documents prior to vendor payment.

Procurement Performance Outcomes

1. GDOE will develop a procurement policy and implementation plan for procurement management procedures by August 31, 2011.
2. Approved procurement policies and procedures will be fully documented and implemented by August 31, 2011.
3. By August 31, 2011, the GDOE will develop and implement Small Purchase Procedures for items that cost less than \$100,000.
4. By August 31, 2011, GDOE will develop a formal compulsory training program for all GDOE staff involved in the procurement process.

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Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule based upon Performance Plan
Procurement	<p>GDOE will develop and implement effective procurement policies and procedures that ensure:</p> <ul style="list-style-type: none"> a. Delivery of ordered supply items within specified timeframes for correct type of supply from selected vendor; b. Payment to vendors within 30 days of invoice receipt; c. Delivery of supplies and equipment, tagged and entered into a property management system, to schools within three days of receipt; d. Recording of when items are ordered, when orders arrive and are entered into the financial management system, and when they are delivered. 	<p>Written policies and procedures to ensure that US ED funds are used only for allowable costs, including costs that are necessary, reasonable, and allocable to the respective grants as required by OMB Circular A-87, and that are procured in accordance with applicable procurement requirements in 34 CFR §§ 80.36(b)-(j).</p>	August 31, 2011
Procurement	<p>Implement reporting system that will track requisitions and open Purchase Orders. The system will reflect when items are ordered, when orders arrive and are logged into the system, and when they are delivered to the proper location.</p>	<p>Monthly summary of completed purchases and procurement actions; Established process for routine review of federally funded requisitions and purchase orders.</p>	December 31, 2011 (est.) -- concurrent with implementation of FMIS
Procurement	<p>Establish sound business practices for procurement processes and system functions.</p>	<p>Publication of procurement policies and procedures, and external verification of compliance with SOPs.</p>	August 31, 2011

Property Management

Background and Status

The 2010 Special Conditions require GDOE to develop and implement an effective property management system that complies with applicable Federal regulations. This requirement came after US ED's Validation Site Visit in July 2009, which found noncompliance with several SOPs related to fixed assets and failure by the Fixed Assets Inventory staff to document and issue reports of noncompliance at the schools and division. US ED also found that GDOE had attempted to incorporate an automated bar coding system into its fixed assets inventory process, but that it had been hampered by (1) lack of a clear definition for fixed assets and (2) a shortage of adequate resources. US ED's Equipment regulations contained in 34 CFR § 80.32 require that property records be maintained that include a description of the property, a serial or other identification number, the source of property, the acquisition date, cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The regulations also require that a physical inventory be taken and reconciled with property records every two years, and that a control system be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Critical to an effective Property Management Function is inventory control and recordkeeping. Capital assets represent one of the largest investments of GDOE, which means that controls and accountability are of significant concern. All current and in process inventory must be accounted for, tracked and integrated with various internal control procedures beginning with a comprehensive physical inventory. For an ongoing function such as property management, establishing the baseline inventory is the starting point necessary to allow for the tracking of all goods and procurement activities. In its determination letter dated November 2, 2009, US ED emphasized a number of areas in which GDOE was to have made substantial progress over the previous two years of CCAP implementation, including implementing policies and procedures to validate and reconcile fixed-asset property. Fixed assets can be effectively managed only if responsibilities are clearly defined and the systems and procedures within the department provide the necessary information to track the location and use of these assets from acquisition to disposal. Asset values and related acquisitions, intra-department transfers and dispositions, including current and accumulated depreciation, are required for an accurate accounting of the department's assets for financial statement purposes.

GDOE's property management function will work in coordination with the third party fiduciary. Additionally, the third party fiduciary will assist the GDOE property management function in establishing and documenting sound business practices to ensure compliance with the applicable regulations and the needs of the organization including written policies and procedures, inventory control and inventory tracking. GDOE's actions and implementation of inventory control procedures and processes will align activities with sound business practices and achieve the desired results outlined in the 2010 Special Conditions.

Property Management Performance Outcomes

1. GDOE will provide the US ED with an inventory policy and implementation plan of the inventory management system by August 31, 2011.
2. GDOE will take immediate steps to the extent possible to safeguard all property in warehouses, schools, and other locations to prevent theft or inappropriate or unauthorized use.
3. An inventory policy and control system will be fully implemented by September 30, 2011. The policy and control system will ensure that all property purchased with Federal program funds, and that meets the definition of a fixed asset, is (1) identified, (2) confirmed to be in its proper location, (3) tagged and, (4) entered into a fixed asset tracking system.
4. By September 30, 2011, all unaccounted for items will either be returned to their proper locations, or the full value will be reimbursed to US ED.
5. By the end of the second year of implementation, the inventory management system will reflect minimal losses due to theft.
6. By the end of the second year of implementation, fixed asset inventory audits will reveal minimal unaccounted-for property.

Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
Property Management	GDOE will develop and implement effective property management policies and procedures that ensure compliance with Federal regulations, to include tagging and tracking of inventory and prompt delivery of property purchased with federal funds to the appropriate location, so that items may be used for the purpose for which they were purchased.	Unique Inventory tags properly affixed to all fixed assets acquired with federal program funds. Written Property Management SOPs. Comprehensive physical inventory resulting in detailed fixed asset ledger and ability to perform depreciation expense accurately and efficiently.	Inventory tags have been received, and a physical inventory is scheduled to commence August 2011.
Property Management	GDOE's inventory policy will include an established procedure for replacement or reimbursement of any items in the inventory that cannot be located, consistent with federal regulations.	Written lost and stolen item policy which would serve as the basis for any reimbursement. Training programs for principals, assistant principals, and administrative personnel at the school level to increase awareness and ownership of the policies and improve safeguarding of assets.	September 30, 2011

Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
Property Management	The inventory policy and management system will ensure that Property Management, Procurement, Finance and Administration, and Education Departments act as an integrated team on procurement issues.	Inventory policies adopted by GDOE will reflect coordination and review of established policies from GDOE Property Management and Procurement.	Dependent upon completion and approval of SOPs.
Property Management	GDOE will ensure that penalties are enforced for the inappropriate use of equipment, and that US ED is reimbursed when equipment damage results from such use.	Additional training to ensure front line leadership (i.e., principals and other administrators) is aware of and responsible for supporting Property Management policies and procedures as well as for the proper level of oversight related to the management of property purchased with federal funds.	Dependent upon completion and approval of SOPs.

Financial Management Information System

Background and Status

GDOE currently uses Weidenhammer's Financial Management System for managing and reporting financial information. Due to the outdated nature of the system, it is unable to account for and reconcile financial records for US ED grant funds in accordance with Federal requirements. Consequently, the 2010 Special Conditions stated that implementation of a new Financial Management Information System (FMIS) to be a core feature in the CCAP which would enable GDOE to significantly improve its internal accounting controls and financial management and reporting of grant funds. Continuing to operate these legacy systems compromises internal accounting controls and GDOE's ability to achieve clean audits, in addition to failing to meet processing, reporting, and regulatory requirements. GDOE has drafted a RFP to solicit proposals for the design and implementation of an integrated Financial Management Information System with functionality to support all GDOE financial applications. According to the draft RFP, work on the FMIS

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will commence with the date the Governor of Guam signs the contract. The General Scope of Services in the draft requires that the contractor provide a comprehensive project plan which addresses project management, data conversion, training, support and maintenance, security, testing, etc.

In the meantime, GDOE's federal funds management has been stabilized through the activities of the Agent including the implementation of the Tyler MUNIS ERP solution which was completed in December 2010. The implementation effort focused on the goals set forth in the 2010 Special Conditions: accounting for and reconciling financial records for US ED grant funds in accordance with Federal requirements, internal controls to ensure that grant activities are carried out in accordance with Federal program requirements, instituting procurement and property management processes that comply with Federal regulations, implementing appropriate cash management procedures, ensuring timely payments to staff, vendors and providers, and establishing an effective process for tracking and reporting time spent by employees paid with US ED grant funds. MUNIS training materials have been developed and training classes have been scheduled for all affected GDOE personnel. In addition, a methodology will be developed for transferring and updating GDOE's accounting system with monthly accounting activity generated by the MUNIS system.

Financial Management Information System Performance Outcomes

1. As GDOE implements and converts to a new FMIS, the Agent will work with GDOE to assist in training of employees and provide transition assistance including, but not limited to:
 - a. Transferring any necessary data from the Tyler MUNIS system to the new FMIS;
 - b. Communicating information to aid the contractor with the design of the new FMIS;
 - c. Assist GDOE in implementing and converting to the new FMIS;
 - d. Providing feedback to GDOE and the US ED on GDOE's implementation of the new FMIS.
2. Prior to the implementation of the FMIS, Agent will oversee the financial management of US ED funds.
3. Design and implementation of testing procedures to ensure the FMIS applications function as intended.
4. Review and testing of system processing controls to validate data control and error correction procedures.
5. Implementation of fully integrated grant application, planning, obligation, and disbursement functions.

Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
FMIS	Detail design of a FMIS with processing functionality that complies with Generally Accepted Accounting Procedures, U. S. governmental accounting standards, and the Government Accounting Standards Board.	Detail system design specifications approved by GDOE Finance and Administration management.	Dependent on issuance of RFP and selection of contractor, and external support provided by Agent in the design and implementing of improved accounting practices and coordination with Agent's system.

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Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
FMIS	<p>Over the next two years, the GDOE will implement a Financial Management Information System to enable GDOE to significantly improve its financial management of US ED grant awards. Implementation will include hardware specification and selection, a stable operating system, a reliable network, and application software compliant with design specifications.</p>	<p>A secure, reliable and fully integrated FMIS that supports the financial management of US ED grant awards and complies with federal requirements. Detailed and up-to-date system and application documentation necessary to manage and sustain the FMIS and its applications on an ongoing basis. Sufficient qualified and trained accounting staff to manage all financial processing and reporting required by GDOE.</p>	September 30, 2012
FMIS	<p>Continued activities of the Agent to oversee all US ED funds awarded to GDOE until a credible financial management system is implemented and fully operational, and GDOE has demonstrated that it can be accountable for US ED funds in accordance with all federal requirements.</p>	<p>A stable and reliable financial information systems processing environment. US ED funds expended only for costs that are allowable under the respective grant programs. Allowable costs procured in accordance with applicable procurement requirements. Coordinated timing of US ED draws and reimbursements to ensure that payments to staff, vendors and providers are prompt and timely. Grant funds that are charged only for costs resulting from obligations that were properly made during the funds' period of availability, including any carryover period.</p>	December 31, 2011

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Employee Time Tracking

Background and Status

According to the 2010 Special Conditions, GDOE must implement and maintain an effective process for tracking and reporting time spent by all employees whose salaries are paid with US ED funds consistent with the requirements of OMB Circular A-87. Where employees work on multiple activities or cost objectives, Circular A-87 requires that a distribution of their wages be supported by personnel activity reports or equivalent documentation which meets certain documentation standards unless a statistical sampling system or other substitute system has been approved by the applicable Federal agency. Such documentation is required where, for example, employees work on multiple Federal awards, or a Federal award and a non Federal award.

Circular A-87 also states personnel activity reports or equivalent documentation must:

- (a) reflect an after the fact distribution of the actual activity of each employee;
- (b) account for the total activity for which each employee is compensated;
- (c) be prepared at least monthly and must coincide with one or more pay periods;
- (d) be signed by the employee.

As part of the financial management of US ED grant awards, the Agent has implemented procedures for tracking and reporting salary costs among US ED grants. These procedures currently call for a three-way match to be performed prior to GDOE reimbursement. The three-way match consists of comparing (1) the Federal Programs Staffing Pattern maintained by GDOE Federal Programs personnel, (2) the Time Distribution Reports submitted by employees, and (3) the Labor Cost File for the applicable period created by the GDOE payroll system, as adjusted for journal entries made outside of the payroll system. The Federal Programs Staffing Pattern is maintained and updated via form DE-1/Personnel Action Routing Form. Depending on the nature of the action being taken, The Routing Form can require as many as six approvals, which can take up to several weeks to obtain in some instances. Furthermore, there is no control in place to ensure that Routing Forms make their way through the entire approval process and into the appropriate personnel file. This condition leaves open the potential for the Federal Programs Staffing Pattern being inaccurate and out-of-date, which could result in errors in allocating salary costs among US ED grants as required by Circular A-87.

With regard to the labor cost expense recorded in the GDOE general ledger, there are two types of adjustments that GDOE accounting makes that are not reflected in the Labor Cost File generated by the payroll system. One type of adjustment reduces (credits) payroll expense for the portion of the DEED after school program that is paid for with contributions from parents. Consequently, for purposes of computing the amount of payroll costs to be reimbursed GDOE for federal programs, the amount of payroll costs from the Labor Cost File must be reduced by the amount of those parent's contributions. The second type of adjustment that is made in the general ledger and not the payroll system is to reduce (credit) payroll expense for the

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amount of Jury Duty pay reimbursed to the GDOE by employees. As with DEED adjustments, the amount of payroll costs from the Labor Cost File should be reduced by the amount of Jury Duty pay recorded (credited) in the general ledger. The Agent has implemented procedures to identify and adjust for parents' DEED contributions and Jury Duty reimbursements recorded in the general ledger and not the Labor Cost File.

Employee Time Tracking Performance Outcomes

1. GDOE will take immediate steps to develop and implement internal control procedures that will provide for a complete and accurate inventory of all Personnel Action Routing Forms, including identification of outstanding Routing Forms.
2. GDOE will take immediate steps to develop and implement internal control procedures that ensure the Federal Programs Staffing Pattern is complete, accurate and up-to-date prior to requests for reimbursement.
3. GDOE will take immediate steps to develop and implement internal control procedures to ensure that all employees whose salaries are paid with US ED funds complete and submit Time Distribution Reports such that time spent among different funding sources for split-time employees is accurate and distributed on a timely basis. Subsequent steps in this regard will include a review of time tracking systems and the efforts and resources needed to support electronic time tracking.
4. GDOE will develop an internal control checklist to be completed by the appropriate GDOE accounting and payroll management personnel that ensures that GDOE carries out these responsibilities consistent with the Federal requirements in OMB Circular A-87. The Internal Control Checklist will include the identification and amount of accounting adjustments necessary to accurately state labor costs among the various US ED grants.

Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based on Performance Plan
Employee Time Tracking	<p>GDOE will develop and implement effective policies and procedures that provide for an effective process for tracking and reporting time spent by all employees whose salaries are paid with US ED grant funds.</p> <p>Ensure that the salaries of employees who work under more than one Federal program are properly allocated among those programs, in accordance with accurate time distribution records.</p> <p>Research and implement an automated time</p>	<p>Written and approved SOPs, including training for applicable GDOE personnel, to ensure:</p> <ul style="list-style-type: none"> f. Accurate and up-to-date employee staffing lists based on notices of personnel actions. g. Accurate and timely time distributions among funding sources for split-time employees, and proper allocation of salary costs among US ED grants. 	December 31, 2011 (est.) -- concurrent with implementation of FMIS

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Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based on Performance Plan
	collection system for federally funded employees.	<ul style="list-style-type: none"> h. Accurate and properly executed time distribution reports and attendance records. i. Properly executed and timely semiannual certifications. j. Internal control checklists to ensure compliance with Circular A-87. k. Identification of a computer-based and accurate time and attendance system, with documentation of requirements to support implementation, training and administration. 	

Internal Controls and Procedures

Background and Status

As previously stated, in the special conditions imposed on GDOE's FFY 2007 grant awards, US ED required GDOE to develop a CCAP to address the underlying problems associated with its high-risk designation. The CCAP was meant to address persistent problems related to GDOE's internal controls. Since that time, GDOE has operated aging and outdated financial systems and lacked an integrated system of internal accounting controls to support the management of data, transaction processing and reporting required to meet Federal program requirements. Effective control and accountability must meet standards of Financial Reporting, Accounting Records, Internal Control, Budget Control, Allowable Cost, Source Documentation and Cash Management. Identified in several single audits conducted by GDOE's independent auditor are several control deficiencies which, in the auditor's

opinion, are material weaknesses. A material weakness is a significant control deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by an entity's internal control.

GDOE's capacity to improve internal controls and achieve clean audit opinions will be enhanced by sound organizational changes focused on building the internal audit and compliance expertise within the GDOE to work collaboratively to identify and rectify issues. GDOE must assess whether it currently has sufficient qualified staff to handle the volume and complexity of its fiscal operations, and the necessary positions in the area of internal audit and/or compliance management. In its 2009 Validation Site Visit Report, US ED reported an absence of qualified staff in GDOE's Business Office for an organization of that size. GDOE must also work to increase its control environment through increasing its internal capacity to identify and monitor financial and compliance risks related to federal funds and grants management activities. Dedication of staffing to internal audit and compliance positions and their coordination across departments will augment management of GDOE's control environment and ability to achieve clean audit opinions.

GDOE's Superintendent has set a goal to ensure that there is no lapsing of funds. Thus, the tracking of federal grants is a significant priority of GDOE. Obligations and disbursement of funds and the monitoring of these activities has been impacted by funds control and reporting being performed by the third party fiduciary in coordination with GDOE's Superintendent and Federal Programs personnel. Fund status is being actively reviewed and tracked by GDOE. Remedial actions related to late liquidations are a primary focus of the Agent and GDOE's Federal Programs personnel, and are tracked and auctioned with coordination with US ED. Increased funds control and monitoring have identified persistent challenges related to procurements and disbursements, obligating of funds and potential exposure to late liquidation requests. Greater integration of funds tracking and programming functions provide increased opportunities for increased integration between program planning and fiscal control. GDOE's short and long term goals related to improvement of its control environment should address these opportunities through immediate plans to more closely integrate personnel and decision making. Longer term plans include transition of activities to GDOE personnel.

Internal Controls and Procedures Performance Outcomes

1. By December 31, 2011 (est.), GDOE will assess its organizational structure and staffing and make determinations as to needed actions to ensure the organization has the necessary number and types of positions, staffed with appropriate personnel, to ensure compliance with a system of sound internal financial controls.
2. By December 31, 2011 (est.), GDOE will complete a detailed SOP detailing specific internal control standards.
3. By December 31, 2011 (est.), GDOE will complete an implementation plan for an integrated system of internal accounting and reporting controls.
4. Commencing with the implementation of the MUNIS ERP solution by the Agent, all transactions for draws and disbursements, as well as any required adjustments for federal education programs' funds will be timely and accurately recorded as they occur according to generally accepted accounting standards.

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5. By December 31, 2011 (est.), GDOE will institute an independent internal audit function that will comply with standards for internal audit prescribed by the Institute of Internal Auditors (IIA).
6. By September 30, 2012 (est.), single auditors will be able to rely on the FMIS together with a system of internal accounting controls as the accurate and reliable system of record.

Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
Internal Controls and Procedures	GDOE will use the next two years to develop a credible financial management system. The system would provide the correct amount of funds, in the correct accounts, in a consistent and timely manner. Credible financial management includes systems, policies and procedures that (1) provide access to reliable information when needed, (2) account appropriately for funds, (3) ensure timely deposits or draw down of funds, (4) ensure timely and accurate payments, (5) otherwise enable and support generally accepted government financial management and accounting standards and requirements.	The Agent implemented the Tyler-MUNIS ERP financial management system effective December 2010. GDOE is in the process finalizing a RFP for a Financial Management Information System (FMIS), which will include functionality to support all GDOE financial applications. Procedures and processes to ensure that single audits are conducted, and audit reports issued within nine months after the end of each fiscal year as required by the Single Audit Act, as amended.	September 30, 2012.
Internal Controls and Procedures	GDOE Finance and Administration must demonstrate improved communication and cooperation to develop an integrated financial management system that meets the needs of the organization.	Department-wide subcommittee structure focused on each of the issue areas. The structure will drive collaboration, which is also necessary to support FMIS implementation which supports GDOE-wide financial management. GDOE departments working together on a daily basis to address implementation, compliance and	August 31, 2011 (est.)

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Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
Internal Controls and Procedures	The GDOE will develop a credible financial management system which records and accounts for all draws and expenditures of federal education funds.	<p>other activities. Efforts to include direct Internal Audit support of external independent auditors in conduct of single audits as required by the Single Audit Act.</p> <p>A credible financial management system designed and implemented to meet the EDGAR and other federal reporting requirements in terms of timeliness of funds management and reporting. Additionally, custom reports designed to capture federal grant activity.</p>	September 30, 2012 (est.) – dependent upon implementation of FMIS
Internal Controls and Procedures	Reliance on the credible financial management system by other Guam agencies and single auditors as accurate system of record.	<p>A credible financial management system whose implementation is guided by Generally Accepted Accounting Procedures (GAAP) and supported by SOPs to ensure a system of internal controls over financial reporting that can be relied upon by external independent auditors for the purpose of expressing an opinion on the financial statements. Periodic examination and documentation of internal controls by internal audit staff to ensure that the controls are operating as intended without exception.</p> <p>The design or operation of internal</p>	September 30, 2012 (est.) – dependent upon implementation of FMIS

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Focus Area	Required Actions and Activities	Implementation Deliverables	Schedule Based upon Performance Plan
Obligations of Funds/Disbursement of Obligation	GDOE will develop a grant spending process that ensures that grant awards are based on specified program plans and spent on the programs in a timely manner. The grants system will be integrated with the FMIS.	<p>controls over financial reporting will provide for the prevention or detection of financial misstatements on a timely basis and ensure GDOE's ability to initiate, authorize, record, process, or report financial data consistently and reliably.</p> <p>Information management needs met by all users (e.g., custom reconciliation worksheet to support requirements and tracking of federal draw funds).</p>	December 31, 2011 (est.) – concurrent with implementation of FMIS
		<p>(1) Program plans will serve as the basis for application disbursement;</p> <p>(2) Grant spending process will be supported by SOPs, internal control checklists, and training for all affected personnel;</p> <p>(3) Disbursements will tie to actions specified in program plans;</p> <p>(4) Funds will be expended for allowable purposes under the statutes;</p> <p>(5) No funds will be lost due to lapsing obligation periods.</p>	