

**THIRD RENEWAL AND SECOND AMENDMENT OF AGREEMENT BETWEEN
GUAM DEPARTMENT OF EDUCATION AND ALVAREZ & MARSAL PUBLIC
SECTOR SERVICE, LLC FOR PROFESSIONAL SERVICES PURSUANT TO
GDOE RFP NO. 011-2010**

This Third Renewal and Second Amendment of Agreement is entered into by and between the **GUAM DEPARTMENT OF EDUCATION** ("GDOE"), an agency of the Government of Guam whose address is P.O. Box DE, Hagåtña, Guam 96932, and **ALVAREZ & MARSAL PUBLIC SECTOR SERVICE, LLC** ("A&M" or "Contractor"), whose address is 600 Madison Avenue, 8th Floor, New York, NY 10022. GDOE and Contractor are collectively referred to as the "Parties".

WHEREAS, GDOE issued Request for Proposal ("RFP") 011-2010 for Third-Party Fiduciary Oversight and Funds Management Services; and

WHEREAS, Contractor submitted a proposal in response to RFP 011-2010 and was selected to provide services thereunder, and on September 13, 2010 a Professional Services Agreement RFP No. 011-2010 Third-Party Fiduciary Oversight and Funds Management (hereafter the "Agreement") was entered into by the Parties; and

WHEREAS, on September 18, 2012 the Parties executed an Amendment to the Agreement (the "Amendment") that extended the initial term of the Agreement until October 31, 2012; and

WHEREAS, pursuant to Section 7 of the Agreement, it may be renewed for up to four (4) twelve month terms; and

WHEREAS, the Parties executed a First Renewal of Agreement in September 2012 under which the Agreement would be in effect from November 1, 2012 through October 31, 2013; and

WHEREAS, the Parties executed a Second Renewal of Agreement in November 2013 under which the Agreement would be in effect from November 1, 2013 through October 31, 2014; and

WHEREAS, the services provided by Contractor remain relevant and required by GDOE; and

WHEREAS, GDOE has identified funding for a third renewal term.

NOW THEREFORE, in consideration of the mutual covenants herein as well as in the original Agreement and any Amendments thereto, the Parties agree as follows:

1. Pursuant to Section 7 of the Agreement, this Third Renewal shall be effective from **November 1, 2014 through October 31, 2015**.

CFD1014-4260



2. Contractor shall perform the services described in the Agreement and in the Updated Performance Updates and Tracking 2014-2015 included herein as Attachment 1, subject to further amendment as allowed by the terms of the Agreement.
3. Compensation for this Second Renewal shall be an amount not to exceed **Three Million Two Hundred Thousand Dollars (\$3,200,000.00)**.
4. Section 37 of the Agreement is amended to read as follows:

37. **Amendments/Modifications.** Any amendment or modification to this Agreement will be effective only if it is in writing and signed by both parties.

A. **Changes To Work.** Any modifications to the services or equipment to be delivered pursuant to this Agreement, and the compensation therefor, may be made by a written Change Order signed by an authorized representative of GDOE and Contractor. A Change Order may only be made on the conditions that the work to be performed by a Change Order is not inconsistent with the scope of work under this Agreement, and that where there is an increase in the costs for services, GDOE shall certify in writing that funds are available for the increased costs prior to such Change Order becoming effective.

B. **Extension of Time to Perform Services.** This Agreement may be modified to extend time for Contractor to perform services upon writing signed by GDOE and Contractor. A modification to extend time to perform services under this Agreement may only be made on the condition that such modification shall not increase the costs for services hereunder.

5. All other terms of the Agreement and any Amendments thereto remain.

SO AGREED:

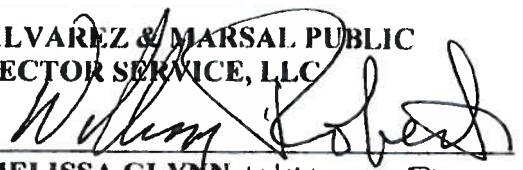
GUAM DEPARTMENT OF EDUCATION



JON J.P. FERNANDEZ
Superintendent

DATE: 10/23/14

ALVAREZ & MARSAL PUBLIC
SECTOR SERVICE, LLC



MELISSA GLYNN WILLIAM ROBERT
Authorized Representative

DATE: 10/23/2014

GUAM DEPARTMENT OF EDUCATION


REBECCA M. PEREZ
Legal Counsel

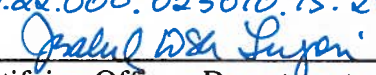
DATE: 10.23.2014

REVIEWED BY


CARMEN T. TAITANO
Acting Supply Management Administrator

DATE: 10.23.14

CERTIFIED FUNDS AVAILABLE

AMOUNT: \$ 3,200,000.00
110.22.000.023010.15.2500.13

Certifying Officer, Department of Education

DATE: 10/23/14

APPROVED AS TO FORM AND LEGALITY


LEONARDO RAPADAS
Attorney General of Guam

DATE: 10/24/14

APPROVED


EDWARD J.B. CALVO
Governor of Guam

DATE: OCT 31 2014

14-0974



Attachment 1

2014-15 activities will focus on building collaborative processes with GDOE, advancing the CCAP, controls and local implementation planning supporting an overall objective of resolving high risk designation.

Performance Section A:

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Infrastructure Installation and Management	Transfer all necessary data from the 3 rd party FMIS to GDOE's FMIS, communicating information to GDOE's FMIS contractor and providing feedback to GDOE and the USDOE on GDOE's implementation of the FMIS.	<p>Reconciliation report confirming complete and accurate transfer of 3rd party financial records to GDOE's FMIS.</p> <p>2014-15 Automated transfer of 3rd party financial records to GDOE's FMIS.</p>	By 10 th of the month after the first drawdown transaction.	<p>On-going.</p> <p>2014-15 With the go-live of GDOE's FMIS, there is a new focus on creating capability of automated sharing information from 3rd party system. Details regarding what will be shared (detailed vs. summary data) and frequency of data transfer are under discussion.</p>
Compliance Management	Develop a compliance roadmap equivalent to a Comprehensive Corrective Action Plan.	<p>Developed and Approved Comprehensive Corrective Action Plan.</p> <p>Developed a detailed activities report or ICAP (Internal Comprehensive Action Plan).</p>	<p>Continued quarterly submission of the CCAP.</p> <p>Provide guidance and support on execution of the ICAP.</p> <p>2014-15 Update CCAP as necessary based upon changes to GDOE's administrative structure and/or due to audit or management findings</p>	<p>CCAP officially accepted by USDOE on Dec 15, 2011.</p> <p>2014-15 submissions and reconciliation of comments provided by USDOE.</p>

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	Perform quarterly tracking of CCAP.	Documented tracking of progress against Plan and incorporation of any required changes based upon new process and/or compliance changes.	related to the controls environments. 2014-15 Continue to manage the coordination of tracking and preparation of the CCAP for review.	2014-15 Support the submission of quarterly reports by GDOE.
External Audit Support	Support for external audits and facilitating information requests, etc.	Provide responses to information requests and meetings set with external auditors. Assist with internal audit department with identification of risk areas.	2014-15 A-133 audit support when scheduled with external auditors by the Deputy Superintendent. Review standard operating procedures (SOPs) and department policies to assist in development of audit plan. Assist with internal audit department with identification of risk areas.	TPFA provided audit support for all audits performed during our engagement with GDOE. TPFA also responds to follow-up requests re: prior year audit findings as requested. 2014-15 TPFA will continue to provide support for external audit activities.
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.		On-going, as needed.

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned	
Transactional Support/Daily Operations	Perform inventory management.	Inventory reconciliation reports.		2014-15 TPFA to provide updated guidance for physical inventory of locally purchased assets.	
	Payroll	Clean drawdown request for payroll expenses.	On-going.	Ongoing performance of drawdown requests.	
	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.	On-going.	
	Procurement	Monthly summary of completed purchases and procurement actions.	Feb 5, 2011 And continuing to monitor for effectiveness.	On-going.	
	Records management	EDGAR compliant transaction document files.	Dec 29, 2010	On-going.	
	Cash management	Compliant daily bank balance reports	Dec 29, 2010	On-going.	
	Payroll systems	Detailed specification of internal control standards and process improvement actions required by CCAP.	Checklist of payroll procedure changes to be implemented.	Jan 31, 2011 And continuing to monitor for effectiveness.	Updated SOPs reflecting updated processes and FMIS capabilities by GDOE personnel.
					2014 SOPs will be updated to integrate with

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	Implement compliant payroll processes and system setup.	Bi weekly payroll reimbursement submissions and semi-annual true up adjustments.	Dec 15, 2010 Continuing to monitor for effectiveness	<p>FMIS implementation. Activities to improve GDOE payroll and personnel processes are currently underway.</p> <p>2014-15 Improvements to the general ledger/labor cost analysis and creation of inter-department communication/efficiency.</p>
	Document and maintain records appropriately.	Publication and external auditor verification of compliance with SOPs.	Jan 31, 2011 Continuing to monitor for effectiveness.	<p>A&M uses a three way match to reimburse payroll costs. GDOE is improving their match error rate as a result of the error report reconciliations and emphasis on payroll system improvements at the school and division levels. Federal Roster and TDR processing is continuing to be the focus on payroll reimbursement processes.</p>
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.	<p>Monthly bank reconciliations are provided to GDOE.</p>

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Procurement operations and systems	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.	Complete.	On-going.
	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.	Initial - Jan 10, 2011 Continuing to monitor for effectiveness.	On-going.
	Detailed specification of internal control standards and process improvement actions required by CCAP.	Checklist of procurement procedure changes to be implemented.	Initial - Jan 31, 2011 Continuing to monitor for effectiveness. 2014-15 Work collaboratively with GDOE Supply Management to improve procurement processes	On-going. 2014-15 Update internal control associated with CCAP and other policies and procedures.
	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.	Initial - Nov 15, 2010 Continuing to monitor for effectiveness. 2014-15 Assist GDOE in improving overall supplier management processes.	Have established numerous relationships with technology and other key vendors based upon planned procurements in grants. Participate in vendor management activities as appropriate. 2014-15 Identify and document improved practices related to

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	Establish procurement processes and system functions.	Publication and external auditor verification of compliance with SOPs.	Initial - Jan 31, 2011	supplier management. Complete. 2014-15 Support enhancements in procurement activities through updates to SOPs based upon organizational, systems and potential compliance requirements.
Fixed Assets /Inventory systems	Detailed specification of internal control standards and process improvement actions required by CCAP.	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 until FMIS automated receiving is implemented.)	Jan 31, 2011	On-going. BMI Scanner workshops and training sessions via web-conferencing were conducted by GDOE's Supply Management Administrator, Tyler Technologies, and BMI. Training included all GDOE warehouse and property management personnel with attendance and assistance from A&M.
	Continued oversight of federal funded procurement and	Fixed assets inventory reconciliat on report.	2014-15 Work with GDOE to align FA approaches	2014-15 A&M's continued use of scanners in support of inventory and fixed assets. 2014-15 - Provide ongoing management

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
	<p>inventory, oversee the management of all tangible personal property procured under the grants by the GDOE in accordance with the requirements.</p>		<p>and provide integration with the FMIS FA module.</p>	<p>through the FA module and coordinate with GDOE's FMIS and FA management approach to support transition of data and technical approach.</p>
	<p>Transition to decentralized warehouse management and receiving.</p>	<p>Continue training and operational procedures at school level.</p>	<p>August- Jan 31, 2014 Continuing to monitor for effectiveness.</p>	<p>Continue review of receiving operations at school level.</p>
Records Management	<p>Detailed specification of internal control standards and process improvement actions required by CCAP.</p>	<p>Checklist of records management procedure changes to be implemented.</p>	<p>2014-15 Work with GDOE Internal Audit team to improve internal controls and identify risk areas.</p>	<p>2014-15 Continue refining and training the GDOE on procedures and fixed asset management operational practices. Ongoing population of TPFA deliverables repository. Materials are updated as standard operating procedures, training documents and other materials are implemented or revised.</p>
	<p>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</p>	<p>Compliant financial transaction files.</p>	<p>Dec 31, 2010, as inclusion in the training materials for GDOE MUNIS users and continuing to monitor for effectiveness.</p>	<p>Electronic record storage will be implemented as part of the FMIS system.</p>

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Reporting	<p>the integrated software system so that it is readily available for audit and or inquiry by various parties including GDOE executive and program offices.</p> <p>Conduct reconciliations on a monthly and quarterly basis.</p> <p>Define other custom reports as necessary to support operations.</p>	<p>Reconciliation Reports Monthly and Quarterly.</p> <p>Special reports and analyses.</p>	<p>Complete</p> <p>Initial - Sep 15, 2011</p> <p>Continuing to monitor for effectiveness.</p> <p>Monthly</p>	<p>On-going.</p> <p>On-going.</p>
Performance Improvements	<p>Program management reporting - Standard monthly reporting will track status of performance results as well as operating information on draw downs, 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.</p> <p>Identified opportunities to streamline processes and increase operational efficiency and improve internal controls.</p>	<p>Issue memos or emails; monthly program management reports.</p>	<p>2014-15 Continue to produce status reports and review with Federal Programs and management.</p>	<p>2014-15 Ongoing. Review fiscal controls and provide guidance updating SOPs to reflect changes associated with FMIS implementation and identify opportunities to improve performance and</p>

Updated Performance Updates and Tracking 2014-2015

October 2014

Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
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.	Complete.	compliance. Complete. Providing additional procurement support and template-updating as necessary.
	Augment supply management staff as needed to ensure obligation of expiring grants funds.	Provide additional staffing for surge support for end of year process;g.	Summer 2015 Provide increased staffing as needed to support increased procurement activities.	2014-15 Review required updates and set forth an appropriate schedule for delivery 2014-15 Review opportunities to improve small procurement and services contracts to increase efficiency of procurement processes.
Local Implementation Support	Facilitate working sessions and provide project management and technical support to address operational risk areas in support of transitioning off high risk status with the U.S. Dept of Education. (see consulting)	Project plan, action plan, tracking (activities reports) and support for managing development of a business case. Activities report to include recommendations of best practices on organizational structure, financial operations and staff development.	2014 - 15 Provide leadership to support goal setting, tracking, and project management.	Completed Activities report (ICAP) in January of 2014. 2014-2015 Continue to provide guidance on prioritizing tasks in the activities reports and perform GDOE performance against targeted capabilities.
	Indirect Cost Analysis	Support development of the indirect cost package for submission to U.S. Dept of Education and Interior.	August 2014 Finalize restricted and unrestricted for FY13-14. September 2014 Submit FY13 and FY14 IDC	Train GDOE staff on submission and analytical cost model.

		application. March 2015 Submit FY15 IDC application.		
Performance Section B: - TPA not engaged to perform services as of 10/22/14				
Performance Area	Activities	Final Evidence of Completion	Schedule Based upon Updated Performance Plan	Accomplishments To Date and Planned
Human Capital Assessment	<p>Review of the GDOE organizational structure.</p> <p>Human capital review and assessment of the following departments: Budget; Federal Programs; Financial Affairs; FMIS; FSAIS; Internal Audit; Legal, Payroll; Personnel; and Supply Management.</p>	<p>Report that includes an assessment of current resources along with corresponding restructuring suggestions and turnaround plan.</p> <p>Revised set of organizations charts that mirror and include re-alignment of recommendations.</p>	<p>Preliminary review of organization structure was completed in January of 2014.</p> <p>Formal review to initiate in October of 2014.</p>	Not Started
Financial & Administrative Services	<p>Budget -- Conduct a department wide budget analysis to determine opportunities for cost control, implement budget policies and practices to support sustained management and control.</p> <p>Financial Affairs -- Conduct a department wide analysis to determine opportunities for improvement and efficiencies utilizing the MUNIS system.</p>	<p>Budget presentation, budget financial model and training of budget staff.</p> <p>Training of accounting staff that ensures financial closes are done properly and timely. Provide human capital review and participate in the hiring of additional staff to better support the deputy of finance</p>	<p>To initiate in 2014-2015.</p> <p>To initiate in 2014-2015.</p>	Not Started

	<p>Cash Management / Treasury - Assist in the building of a formal treasury department to better understand the districts liquidity needs. Implement cash management policies and practices to improve internal controls.</p>	<p>and administrative services. Develop short and medium-term cash management forecasting and reporting schedules. Train employees on internal controls and implement and utilize the treasury module within MUNIS.</p>	<p>To initiate in 2014-2015.</p>	<p>GDOE requested weekly reporting be discontinued</p>
<p>Financial & Administrative Services (cont.)</p>	<p>Reporting - Access the districts reporting requirements (both internally and externally) and utilize the MUNIS system to build custom reports that can be used by management and the board of education.</p>	<p>Develop reporting package using MUNIS that will guide management and the board of education when making business decisions.</p>	<p>To initiate in 2014-2015.</p>	<p>Not started.</p>
<p>Financial & Administrative Services (cont.)</p>	<p>Procurement / Supply Management - Conduct a department wide review and implement policies and practices to support and train staff.</p>	<p>Train employees on overall procurement procedures (federal and local) and implement bid and contract modules within MUNIS. Provide basic excel training to employees in procurement, warehouse and property management.</p>	<p>To initiate in 2014-2015.</p>	<p>Not started.</p>
<p>Internal Audit Interim Support</p>	<p>Support development and application of the Management Internal Control (MIC) Plan and identification, evaluation and implementation of appropriate internal controls in SOPs. Assist in the hiring and build-out of the Internal Audit Office.</p>	<p>Update MIC and ongoing support, SOP review and development support, and involvement in other internal audit responsibilities as agreed.</p>	<p>To initiate in 2014-2015.</p>	<p>Not started.</p>

Cost Proposal

Category	Annual Cost Year 1, 9/15/10 – 9/14/11	Annual Cost, Year 2 9/15/11 – 10/31/12	Annual Cost, Year 3, 11/1/12 – 10/31/13	Projected Annual Cost, Year 4 11/1/13 – 10/31/14	Expected Annual Cost, Year 5 11/1/14 – 10/31/15
Fees – Section A	\$3,486,326	\$3,697,946	\$2,347,180	\$2,719,000	\$2,685,000
Fees – Section B	-	-	-	-	-
Expenses - Personnel	\$528,674	\$526,880	\$367,280*	\$272,250	\$340,650
Expenses – Other	\$235,000	\$226,177	\$364,700**	\$0	\$174,350
Total	\$4,250,000	\$4,451,003	\$3,079,160	\$2,992,150	\$3,200,000

* Payment of \$109,830 of 2014 personnel expenses were included in 2013 contract year to reduce 2014 expected cost.

** Payment to support Tyler Technology ASP services of \$174,350 for contract performance year 2014 were included in 2013 contract year to reduce 2014 expected cost.

As with the original proposal, A&M assumes dedicated space within GDOE's central office facility and access to conference room space to avoid costs associated with a separate office setup. Additionally, dedicated staff support from GDOE personnel is anticipated to continue to address cost control, but most importantly to foster interactivity and training. GDOE dedicated support required includes two buyers and an accounts payables administrator.