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BY ELECTRONIC MAIL

August 6, 2021

Mr. Eliezer Ramos Pares
Interim Secretary
Department of Education

Dear Mr. Ramos Perez

In accordance with the contract review policy of the Financial Oversight and Management Board for Puerto Rico (“FOMB”) established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendment to a contract between the Puerto Rico Department of Education (the “Department”) and Genesis Security Services, Inc., for electronic surveillance and monitoring services (the “Proposed Amendment”).

After reviewing the Proposed Amendment and its accompanying documentation, the FOMB concludes “Approved with Observations”. Observations related to the Proposed Amendment are set forth in Appendix A attached hereto.

Please note that our review is solely limited to the compliance of the Proposed Amendment with the applicable fiscal plan and no other matters. For the avoidance of doubt, the review performed by the FOMB does not cover a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local. In addition, the FOMB has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material change to the Proposed Amendment or the original contract must be submitted to the FOMB for its review and approval **prior to execution**.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information not available when the review was conducted. In addition, during the course of our review, we may receive information which we may determine to refer to the relevant authorities.

Mr. Ramos Pares
August 6, 2021
Page 2 of 2

This letter is issued only to the Department and solely with respect to the Proposed Amendment.
Sincerely,

A handwritten signature in black ink, appearing to read 'Jaime A. El Koury', with a stylized flourish at the end.

Jaime A. El Koury
General Counsel

APPENDIX A

(Page A-1)

GENESIS SECURITY SERVICES, INC. – DEPARTMENT OF EDUCATION

Fiscal Plan Alignment

This review covers the proposed amendment to a security services contract (the “Contract”) between the Puerto Rico Department of Education (the “Department”) and Genesis Security Services, Inc. for electronic surveillance and monitoring services (the “Proposed Amendment”).

Approved with observations by the FOMB on September 11, 2018, the Contract was executed on September 20, 2018, stems from a competitive procurement process, and has a term of 5 years from its date of execution until September 2023. In addition, the contract established a maximum payable amount of \$24,105,856.32 for the first year of its term¹.

The parties executed the First Amendment to the Contract on November 17, 2020, to reduce the Contract’s maximum payable amount for Fiscal Year 2020-2021 from \$24,105,856.32 to \$15,695,548.20, due to the partial closure of certain schools in the Puerto Rico public school system after the January 2020 earthquakes. This amendment was approved with observations by the FOMB on October 5, 2020.

On the other hand, the Proposed Amendment **increases** the maximum payable amount for Fiscal Year 2021-2022 to **\$18,222,000.00**. The Department has certified that this increase contemplates surveillance services and equipment maintenance in all schools, including those which were structurally damaged during the January 2020 earthquakes and are now being restored by the Department.

The Department has certified that the Proposed Amendment shall be paid entirely with General Funds, available in the corresponding accounts, subject to the availability of funds. According to the information provided by Department, funds for payments under the Proposed Amendment for Fiscal Year 2021-2022 are allocated in the corresponding accounts, under the “Purchased Services” line item:

- E1294-111-03111306-1416-003-2022- \$15,000,000.00;
- E1294-111-03111306-1008-003-2022- \$2,593,000.00;
- E1294-111-03111306-3140-003-2022- \$629,000.

As such, the FOMB’s review indicates that the Department has sufficient budgeted funds in Fiscal Year 2022 to cover the cost of the Proposed Amendment, as of the date of this letter. However, this determination does not consider the extent to which total available funds will be subsequently encumbered by the Department throughout the Contract’s term. Consequently, we rely on the Department’s budget certification for the purposes of this review.

¹ Surveillance services for Fiscal Year 2018-2019 were not completed, due to a judicial challenge to the award of the Contract, and, as such, there were no expenses related to the Contract for this year. Thus, the first year of services began on Fiscal Year 2019-2020.

APPENDIX A

(Page A-2)

Insofar as the Contract will be partially funded with future Certified Budgets, the Department must ensure that such budgets incorporate all costs related to the Contract, including those of the Proposed Amendment. Further, the Department must identify a consistent source of funding throughout the term of the Contract. Once identified, the Commonwealth's Certified Budget must reflect this source of funding.

The Department is expected to inform FOMB of any budgetary differences other than those specified in Appendix A (Contract Submissions Questionnaire) and to request a re-review of this contract should any changes occur.

This contract review was conducted on the basis of information submitted by the Department. FOMB has not independently verified the information included in the submission. Should FOMB become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.