



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

Office of the Inspector General

April 5, 2001

Mr. Michael Haley, Commissioner
Alabama Department of Corrections
P. O. Box 301501
Montgomery, AL 36130-1501

re: OIG Report 01-21(H), ARC Grant AL-11873

Dear Mr. Haley:

Enclosed is a copy of our report dealing with the grant to expand an existing distance learning network. The primary recommendations are directed at accomplishment of grant objectives or return of funds to ARC. We understand actions are in process that may result in transfer and utilization of equipment by another grantee.

A copy of this report is being provided to the Federal Co-Chairman, ARC Executive Director, and Alabama State Alternate.

The courtesies and cooperation afforded the auditor were appreciated, and a response to the report recommendations is requested within 30 days.

Sincerely,

Hubert N. Sparks
Inspector General

Enclosure



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

Office of the Inspector General

April 5, 2001

MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director
 ARC General Counsel


SUBJECT: OIG Report 01-21(H), ARC Grant AL-11873

A copy of our report dealing with a grant to provide funding to expand an existing distance learning network is enclosed. Discussion with ARC staff and an on-site visit disclosed substantial delay with project completion resulting primarily from disagreements between state officials or changed positions based on changes in state government. Consequently, much of the purchased equipment had not been installed; and the distance learning objectives were not being met. As of our visit, ARC had disbursed \$200,000 and \$200,000 remained available for disbursement.

We did not receive any comments from the grantee subsequent to issuance of the draft report; and, thus, the final report is being issued without such comments. Our primary recommendation was directed at completion of the project, transfer of equipment to another grantee for use on an approved project or recovery of the \$200,000 expended, and deobligation of the remaining \$200,000. Also, there is a need for an inventory of equipment purchased with grant funds.

Based on our discussion with ARC staff, action is in process that will allow transfer of the equipment and use of related services by another grantee. Such action should alleviate the need for recovery and deobligation actions.

We would appreciate a response to our recommendations within 30 days.


Hubert N. Sparks
Inspector General

Enclosure



APRIL 5, 2001

OIG REPORT 01-21(H)

MEMORANDUM FOR MICHAEL HALEY, COMMISSIONER
ALABAMA DEPARTMENT OF CORRECTIONS

SUBJECT: Memorandum Survey Report
Review Elmore County Telecommunications Project
Grant No. AL-11873

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met, and (3) to determine the current status of the project.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant. The period of performance for the grant was July 1, 1995, through October 31, 2000. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Montgomery, Alabama, on January 23, 2001. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant AL-11873, Phase I, for \$200,000, was originally awarded to Ingram State Community College in 1995. The grant was to provide funding to expand an existing distance learning network in Elmore County by adding new sites at two hospitals, a community college, two correctional facilities, and one courthouse. ARC grant funds were to be used for the acquisition of equipment, such as television monitors, computers, cameras, related software, VCRs, electronic switches, and Digital Codec transmitter equipment; installation of all equipment; personnel training; and other electrical cabling upgrades.

The project was put on hold when a new State administration took office in Alabama in the mid-nineties and was not reactivated until a third administration arrived in the late nineties. In 1999 the project was revitalized and the grantee was changed to the Alabama Department of Corrections (ADOC) and a Phase II was added by ADOC to upgrade cost estimates, expand with enhanced equipment, and add additional sites. An additional \$200,000 was approved by ARC.

The proposed project costs for equipment and installation was estimated at \$610,000 as follows:

	Original	Revised	Revised Total
ARC	\$200,000	\$200,000	\$400,000
State	175,000	15,000	190,000
Local	<u>75,000</u>	<u>(55,000) *</u>	<u>20,000</u>
Total Project Costs	\$450,000	\$160,000	\$610,000

*\$55,000 in the original Local share was lost when the original grantee could not maintain their match of \$35,000, and one of the hospitals could not maintain its share of \$20,000 in the project.

ARC obligated \$200,000 on September 7, 1995 and \$200,000 on April 30, 1999. The total ARC funds for this grant were \$400,000 and were to be used solely towards the purchase of equipment totaling \$610,000. Final payment of \$200,000 was contingent on the system being completed and operational. State and local match was to pay for the balance of equipment and installation.

RESULTS

Financial Review

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation of grant costs charged to the project. Total claimed costs were supported by the grantee's accounting records; and no deficiencies were noted as to the allowability of the expenses. Documentation for the expenditures we reviewed needed improvement in that the invoices from the vendor did not state the cost for each item on the invoice nor did it identify serial numbers for each item.

Equipment approximating \$600,000 had been delivered to ADOC in April 1999. Vendor payments of \$400,000 had been paid as of our visit:

\$200,000 – ARC funds
200,000 – ADOC (\$65,000) and other local funds
 \$400,000 – Total paid to date
200,000 – Due vendor
 \$600,000 – Total for equipment

On April 30, 1999, \$200,000 had been drawn down from ARC to pay toward the vendor's costs of \$600,000. ADOC had also paid the vendor \$200,000 in matching funds which includes contributions from other sources, for a total of \$400,000 toward the \$600,000 for delivered equipment. ARC's balance of \$200,000 is contingent on the completion of installation, personnel training, and other tasks, which to date have not been completed. Electronic switching equipment was installed at four sites (does not include complete setup), and the vendor demonstrated the equipment to ADOC.

The four sites are:

Elmore County Court House
Tutwiler Corrections Facility
Ingraham Youth Center
Draper Facility

Communication with the vendor after the review produced a listing with a dollar amount for each item but serial numbers for each item were not listed. Serial numbers appeared to be missing from some of the equipment, but the vendor stated that serial numbers were sometimes located on the inside after removing the cover. The vendor stated that the equipment had a one-year warranty starting at time of delivery, and the warranty period expired as of April 2000. The vendor also noted that he has unsuccessfully attempted to obtain payment for the remaining \$200,000 balance that he is owed for the equipment.

During our visit we noted that much of the equipment remained in the delivery cartons. We did not attempt to inventory this equipment during our visit due to the lack of serial numbers and descriptive information to compare to.

We recommend that ADOC, with the vendor and ADECA, immediately obtain and verify a complete descriptive listing of all items received from the vendor, including which items of equipment have already been installed at each location.

Program Review

The project has been stalled for a long period for various reasons (two changes in State administrations, budgets, and differences of views about the usage fees and the overall system). One of the main points of differences is the cost of monthly fees to run the system. ADOC believes that costs will run about \$400,000 a year; and Alabama Department of Economic and Community Affairs (ADECA) indicates it will be about \$60,000 a year. There also appeared to be different viewpoints within the grantee organization and other state agencies with respect to the type of system desired. Consequently, as of our visit, the majority of the equipment received over one year previous remained in shipping cartons; and there were no plans with respect to installing the equipment and proceeding with the project.


We did not attempt to reconcile the various views and opinions with respect to the system implementation and operation. However, in view of the lengthy project delay, the status of the project, including unused equipment and outstanding fund balances and the aging of equipment, we recommend that expedited action be initiated to resolve the various issues.

Options for consideration include: utilization of equipment by another grantee; project implementation and completion in a timely manner; modified project scope; or recovery by ARC of the \$200,000 advanced to date and deobligation of the remaining \$200,000 balance. The appropriate action is dependent on coordination and decisions between ARC and grantee officials. Additional payments should not be approved pending agreement on actions to resolve the current concerns or disagreements and full project implementation.

The ADOC has not responded to the draft audit report dated February 7, 2001, the follow-up letter, dated March 20, 2001, or follow-up phone calls from the Office of Inspector General. The ADOC has not responded to the ARC Project Coordinator's letters or phone calls. The ARC Project Coordinator has communicated with ADECA and Ingram State Community College (the original grantee) about the potential to transfer the grant back to Ingram College, and for Ingram College to use the equipment and related upgrades to expand distance learning.

Such a solution and transfer requires the cooperation of ADOC, including timely participating in communications with ARC, ADECA, the vendors, and other involved parties, to determine the disposition and utilization of equipment and funds involved.

We recommend that the grantee and ARC initiate immediate action to assure project implementation, including equipment utilization and initiation of expanded distance learning activities. If positive movement does not occur within 30 days ARC should initiate action to recover the \$200,000 expended to date and deobligate the \$200,000 remaining in the account.


Hubert N. Sparks
Inspector General



February 7, 2001

Mr. Michael Haley, Commissioner
Alabama Department of Corrections
P. O. Box 301501
Montgomery, AL 36130-1501

re: OIG Report 01-21(H),
 ARC Grant AL-11873


Dear Mr. Haley:

Enclosed is a copy of our draft report dealing with a telecommunications project in Elmore County. As noted, the primary issues concern the status of the project and approved funding.

The draft report is forwarded to obtain any additional information or comments that you wish to be considered for inclusion in the final report.

A response within 30 days is appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



REAL TIME VIDEO SERVICES, INC.

Tel: (770) 745-9472

Fax: (770) 745-5341

E-Mail: RTIMEVIDEO@AOL.com

518 London Way
Lithia Springs, GA 30122

Department of Corrections
Montgomery, Alabama
Delivered Equipment

Date	4/12/99
------	---------

Invoice No	
PO No	
Ref. No.	

Item	Description	Qty	Cost Ea.	Total Cost
1	2864XC-D2-BFST F.O. Transceiver	3	\$ 10,000.00	\$ 30,000.00
	S/N 902002, 902004, 902008			\$ -
2	2864XA-D2-BFST F.O. Transeiver	9	\$ 10,000.00	\$ 90,000.00
	S/N 902003, 902021, 902017, 902024, 902009			\$ -
	S/N 902006, 902014, 902013, 902010			\$ -
3	3084 8 Ch Audio Decoder (No S/N)	4	\$ 12,000.00	\$ 48,000.00
4	3084 Quad Video decoder (No S/N)	4	\$ 12,000.00	\$ 48,000.00
5	3083 8 Ch Audio Coder (No S/N)	2	\$ 12,000.00	\$ 24,000.00
6	3083 Quad Video Coder (No S/N)	4	\$ 12,000.00	\$ 48,000.00
7	3800 1.55Gb Optical Tx (No S/N)	4	\$ 43,000.00	\$ 172,000.00
8	3800 1.55Gb Optical Rx (No S/N)	3	\$ 43,000.00	\$ 129,000.00
9	2617D-NN Demultiplexer S/n 710015, 710018	4	\$ 850.00	\$ 3,400.00
	710,005, 710,012			\$ -
10	PS-200 Power Supply (No S/N)	18	\$ 200.00	\$ 3,600.00

to
- 4 sites

- to 4 sites

Terms: Net 30

Subtotal	\$ 596,000.00
Tax	
Freight	
Total Due	\$ 596,000.00

The above listed equipment was delivered to Dept. of Corrections on 4/12/99.
Approx. Sept. of 2000, quantity 4 of line item 2 and quantity 4 of line item 10
were installed.



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

Date: 1/30/2002
Subject: AL-11873 Elmore County Communications Project
To: Inspector Generals Office
From: Harry L. Roesch, Project Director

The new grantee, Ingram State Technical College, now has all \$600,000 worth of equipment on site that was transferred from the Department of Corrections. The ARC has approved \$400,000 towards the total equipment costs. The final installation of the last pieces of video conferencing equipment is supposed to be done very shortly. All of the equipment is projected to be installed by 2/15/2002.

I have talked with Dr. James Merk, the new Project Director, numerous times over the last 3 months including my last conversation on 1/31/2002 and requested one final letter from Ingram State Technical College agreeing to become the new grantee for the project. Once this letter is received the revised ARC contract can be issued. The new President of the college has insisted on seeing all of the transferred equipment installed and fully operational before he is ready to send the necessary letter to the ARC.

Once the President's letter is received, and the ARC contract is issued, I expect to receive an immediate request to draw down an additional \$160,000, the maximum remaining balance that can be paid under the contract prior to the final payment. This additional amount is needed ASAP in order to pay the vendor who is still owed nearly the entire amount of the \$600,000 that was billed to the original grantee, the Alabama Department of Corrections.

Dr. Merk has further indicated that they may need to prepare a revised scope of equipment budget because additional equipment may still need to be acquired.



January 8, 2002

MEMORANDUM FOR MS. JUDY RAE, DIRECTOR, PROGRAM OPERATIONS

SUBJECT: Followup on OIG Reports 01-21(H) and 01-37(H), ARC Grants AL-11873 and AL-12447

01-21(H) AL-11873—Elmore County Communications Project

As noted in our November 27, 2001 followup summary, we understood the unused equipment had been transferred from the Department of Corrections to another entity and was being utilized. However, a current payment summary indicates a remaining balance of \$200,000, which raises a question as to whether equipment was transferred and is being utilized. A current status report on this project is appreciated.

01-37(H) AL-12447—Jefferson County Board of Education

A basically similar situation was noted for this grant with respect to timely utilization of equipment and utilization of funds. It was our understanding that the grantee was finalizing project actions; but the remaining balance of \$41,784 raises a question about such actions and project implementation. A status report on this project is also appreciated.


Hubert N. Sparks
Inspector General

Enclosures: Payment Records

Project Payment Record**As of 01/08/2002****Project Number:** 11873**Suffix:** 0**Phase:** I**State:** AL**FY:** 1995**Project Title:** Elmore County Telecommunications - Phase 2**Grantee:** AL Department of Corrections**Effective Date:** 03/01/1998**Expiration Date:** 10/31/2000**Project Coordinator:** RoeschH**Retention:****Status:** Open**Project Contact:** Joe F. Hopper

AL Department of Corrections

Box 301501

Montgomery , AL 36130-1501

334-353-0870

Project Description: Second phase of a distance learning telecommunication network which will provide an additional 5 public service sites in Elmore County and Montgomery, Alabama.

Item #	Date	Transaction	Notes	Amount (\$)	Balance
	09/07/1995	OBLIG		200,000.00	
	04/30/1999	OBLIG		200,000.00	
1	04/30/1999	ADVANCE	✓	-200,000.00	
				Balance:	200,000.00 ✓

Project Payment Record**As of 01/08/2002****Project Number:** 12447 **Suffix:** 0 **Phase:** I **State:** AL **FY:** 1996**Project Title:** Jefferson County Distance Learning Phase 1**Grantee:** Jefferson County Board of Education**Effective Date:** 07/01/1996**Expiration Date:** 08/31/1999**Project Coordinator:** HughesD**Retention:****Status:** Open**Project Contact:** Jack Wright

Jefferson County Board of Education

2100 18th

Street, South

Homewood , AL 35209-1891

205-251-8139

Project Description: Install an interactive telecommunicationsnetwork in five high schools in Jefferson County.

Item #	Date	Transaction	Notes	Amount (\$)	Balance
	09/19/1996	OBLIG		200,000.00	
1	07/20/1998	ADVANCE	✓	-158,215.20	
				Balance:	41,784.80 ✓