



May 17, 2001

OIG REPORT 01-37(H)

MEMORANDUM FOR: DR. PHIL HAMMONDS
DEPUTY SUPERINTENDENT FOR
INSTRUCTIONAL SERVICES
JEFFERSON COUNTY BOARD OF EDUCATION

SUBJECT: Memorandum Survey Report
Review of Jefferson County Distance Learning Project
AL-12447

PURPOSE

The purposes of our follow-up 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 survey included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant was July 1, 1996 through August 31, 1999. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Birmingham, Alabama on April 18, 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-21 and A-110, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant AL-12447 was awarded to the Jefferson County Board of Education to provide funds to install an interactive telecommunications network in five high schools in Jefferson County. The grantee was to purchase and install telecommunications equipment necessary to implement an interactive telecommunications network between five public high schools. Completion of this project would enable participating schools to broaden their course offerings and allow students to learn foreign languages and other subjects that would otherwise be unavailable.

The total project costs was estimated as \$408,450. The ARC grant was for \$200,000 or 49% of actual, reasonable and eligible project cost, whichever is less. The grantee was to pay or cause to be paid the non-federal share of \$208,450 (51%) in cash, contributed services or in-kind contributions, as approved by ARC.

The grantee received \$158,215 on July 20, 1998 and a balance of \$41,784 remains available at ARC. A review by the Inspector General's Office was conducted in April 1999 (OIG Report No. 99-23(H), and as of that date the equipment had been delivered to the five schools. Delivery was made in August 1998 and project completion was pending installation of cable and finalization of usage fee contracts. These issues were not resolved prior to purchasing the equipment. Costs claimed were noted as supported by the grantee's accounting records and the equipment vendor was paid in full.

RESULTS

Program Review

At the time of this follow-up review, the grantee has not been able to secure cable installation or negotiate usage fee contracts for an amount they consider reasonable and affordable. The grantee has recently made some progress on the cable installation and is awaiting bids from contractors to make a final decision. The phone company has agreed to lower proposed usage fees, but to date a contract has not been signed.

The grantee had financial problems in the past and there have been management changes, including employment of a Chief Financial Officer. The Jefferson County Board of Education has recently been subject to large budget cuts and the grantee is also negotiating with a college that has more resources available to take over the grant. The scope of the grant will not change and some final answers should be available within the next 30 days.

As noted above, program implementation was delayed due to the lack of cable installation and usage fees contracts. Almost three years have passed since delivery of the equipment to the five high schools and although most of the equipment has not been installed, the warranty on the equipment has expired. At a site visit to one of the high schools, ten boxes of equipment were observed in a computer room that had a sign "Long Distance Learning Center" on the door in anticipation of the installation. Six monitors were in use (as PCs only) and when one of the monitors did not work, the school had to assume repair costs as the warranty was no longer in effect.

RECOMMENDATION

We recognize that equipment purchases were based on good faith efforts to implement the project timely. However, in view of the rapidly changing technologies and warranty time frames, we believe that grants for high tech projects should assure that equipment purchases are delayed until other conditions necessary for grant implementation are finalized or assured. Discussion indicated that vendors can usually deliver equipment within six weeks and, under this premise, any project delays would be minimal and have less negative impact than lengthy delays after receipt of equipment.

We recommend that the grantee in consultation with ARC, identify necessary grant agreement changes. Also, ARC should be notified if planned actions to assure project completion are not forthcoming in order for timely decisions to be made with respect to ~~and~~ fund and equipment utilization. The grantee was notified of the need to submit progress reports as required by the grant agreement.


Hubert N. Sparks
Inspector General