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MEMORANDUM

October 22, 2004

TO: Larry Jones, Telecommunications Director

FROM: Russ Brethower, Fiber Construction/Operations Manager **RB**

SUBJECT: Town of Coulee Dam privately owned fiber plant

**Issue:** Use of District resources to construct privately owned fiber plant in the town of Coulee Dam.

**How this came to my attention:** T&D Engineering received a request for pole contact fees from the town of Coulee Dam for PUD fiber plant contacting eleven of their poles. Tim Yamamoto and Ron Reese asked for my concurrence after Tim's site visit to verify. The ensuing discussion made it clear that materials used in the privately owned plant (we call it foreign, as it is not in our asset inventory) are identical to the materials used by the District. This fact confused the issue for Tim, since he was documenting what looked like our normal plant.

Near the same time, I instructed Telecom personnel to clarify all known circuits and ports in Coulee Dam for the Zipp Audit (see memo dated 10/12/2004 for those results and recommendations). I asked Neal Bumett to take additional steps to document materials and equipment used in the foreign plant as convenient to do so during his audit of our equipment. He confirmed that the foreign plant used the same outside plant materials and even one of our gateways to serve customers in Coulee Dam.

**The facts as I know them:**

1. *The material list for the foreign plant matches exactly materials used by the District (see attached list for stock number, quantity and \$ value). On October 11, we sent staff to Grand Coulee and Coulee Dam to document splices and patch panels/patch cords for circuiting information as well as final documentation of the fiber asset. At the same time, staff documented the foreign system outside plant materials by quantity and manufacturer.*
2. *The owner of the foreign plant is Resource Business Institute, Inc. I requested information from District accounts receivable staff regarding the Coulee Dam. They were able to produce copies of two invoices (030114-01, 030219-02) to Resource Business Institute, Inc. for fiber splicing labor totaling \$6,376.03.*

3. *Kim Justice, District Auditor was able to produce the supporting documentation for the above referenced invoices and explained to me that this incident was the cause of Steve Beckett's resignation from the District, as he had inappropriately used the State purchasing contract for private business.*
4. *I have found no indication that the Auditor or other District staff investigated to see if this was an isolated incident by this employee.*
5. *There is no record of Resource Business Institute, Inc. purchasing materials from the District.*
6. *Resource Business Institute, Inc. paid Wilson Construction \$54,007.80 for labor only to install plant in Coulee Dam in July and August of 2002. (see attached)*
7. *In August of 2003, the cable company serving Coulee Dam made the State Auditor's Office aware of improprieties in the installation of fiber in Coulee Dam. They identify Steve Beckett as vice-president and director of Resource Business Institute, Inc. They were initially under the impression the District was constructing the system, as it was the District's contractor - Wilson Construction - and District employee Steve Beckett doing the work. They have since asked us to pass a copy of their letter to our attorney (see attached).*

**Recommendation:** *As it appears there has been a theft of public property, ask the proper authorities to investigate where Resource Business Institute, Inc. acquired the materials used in the fiber plant in Coulee Dam. It is my understanding through second and third party comments that the hardware portion of the materials came from District purchased stock carried on the trucks of Wilson Construction and that Wilson Construction was instructed by Steve Beckett to pick the fiber up from the District's yard at the Grand Coulee local office.*