
ATTACHMENT A

EXHIBIT 1

CV of Douglas A. Dawson

I received a Bachelor of Science in Accounting from the University of Maryland in 1977 and a Masters degree in Mathematics from the University of California at Berkeley in 1985.

I began my telephone career in 1975 as a test technician building telephone switches for Litton Industries in College Park, Maryland. In this position I did system integration testing and learned in detail how early digital switches operate.

My next telephone job began in 1978 with John Staurulakis, Inc. ("JSI"). JSI is a telephone consulting firm that specializes in consulting for independent telephone companies (those smaller telephone companies that were not part of the Bell System). In this job, I worked on separations cost of service studies for independent telephone companies. In this role, I had my first detailed exposure to developing the costs of providing telephone service. Additionally, I performed numerous traffic studies for switches. These studies were used to determine the patterns of customer usage for switches and costs, as well as the most efficient way to configure the switch and the network.

Next, in 1981, I became a Staff Manager of Industry Relations at Southwestern Bell Telephone Company, now known as SBC, in St. Louis, Missouri. My functions there included tracking issues that impacted Bell's relationships with the independent telephone industry, calculating and negotiating various interconnection and settlement rates between companies for local calling and other network arrangements, and overseeing the review of an independent telephone company's traffic and toll cost studies. In performing the traffic studies, I had hands on experience working with measuring usage on a number of different brands of switches. I also served for a period of time as a member of the rate case team for the Missouri operations. In working on rate cases, I further developed my knowledge of calculating and developing telephone costs.

In my next position, beginning in 1984, I gained operating telephone company experience at CP National in Concord, California. CP National was a holding company that owned, among other entities, 13 telephone companies. I had several jobs with increasing responsibility and ended as Director of

Revenues. In that capacity, I oversaw a large group that performed telephone accounting, separations and traffic engineering studies for a seven-state area. My group also monitored earnings, developed access and local rates, maintained tariffs, filed rate cases, and monitored and commented in state and federal regulatory proceedings. In this role, I was directly responsible for setting rates and for defending those rates in front of various regulatory authorities. Thus, I testified in a number of rate-making cases and regulatory proceedings in California, Texas, Nevada, Oregon, Arizona and New Mexico. Part of my responsibility at CP National included calculating costs and setting rates for four separate operator centers where the company maintained telephone operators for completing collect and other types of operator-assisted calls. While at CP National, I also became responsible for earnings monitoring and rate case development for electric, gas and water properties.

In my next position, in 1991, I again joined John Staurulakis, Inc. in various capacities. My final position there was as Director of Special Projects. In that capacity, I oversaw all projects and clients who were not historically part of JSI's core cost separations business. Some of the projects I worked on included assisting clients in launching long distance companies and Internet service providers; studying and implementing traditional and measured local calling plans; developing optional toll and local calling plans; performing embedded, Total Element Long-Run Incremental Cost ("TELRIC") and incremental cost studies for products and services; assisting in local rate case preparation and defense; and conducting cross-subsidy studies determining the embedded overlap between telephone services. In this role, I gained more in-depth experience in long distance rate setting and the regulatory process. I also became thoroughly familiar with the underlying costs of running a long distance company and providing telephone service.

In 1997, I became a founder and owner of Competitive Communications group, LLC. My title at CCG is President and Chief Technical Officer, and I am directly responsible for all of the consulting work performed by our company. The company began with 3 employees in April 1997 and currently has 18 employees.

As a firm, we offer the following telephone consulting products and services that are needed by companies that are launching new ventures or entering new markets, all under my direct control and supervision:

- Engineering services, including: analysis of telephone hardware for switching and networks; detailed network design and development; developing switching specifications and provisioning new switches into service; developing RFPs and analyzing vendors;
- Development of financial business plans;
- Market segmentation studies to better understand customers;
- Competitive research, including rates and services of other providers;
- Strategic analysis and planning;
- Marketing plans;
- Regulatory work, including: certification of companies to provide service; development and filing of tariffs; and regulatory compliance oversight;
- Implementation assistance for start-up companies, including: negotiating interconnection agreements with carriers; negotiating network implementation and collocation of equipment with other carriers; choosing vendors for billing, back office, operator services and other external requirements; ordering trunks (telephone lines that go between different networks); detailed hands-on project management;
- Assistance in developing and implementing accounting systems;
- Development of rates; and
- Calculation of costs.

Previous Testimony

Illinois Commerce Commission. 2003. Docket No. 02-147. Complaint against Verizon concerning Interconnection Issues and Sharing of Facilities.

West Virginia Public Service Commission. 2002. Case No 02-0809-T-P. Verizon 271 Proceeding.

West Virginia Public Service Commission. 2002. Case No 02-0254-T-C. Complaint against Verizon concerning the Use of Numbers and the Sharing of Facilities.

Maryland Public Service Commission. 2002. Case No 8910. Complaint against Verizon concerning the Availability of Dark Fiber.

Maryland Public Service Commission. 2002. Case No 8911. Verizon 271 Proceeding.

Maryland Public Service Commission. 2001. Case No 8881. Complaint against Verizon concerning the Sharing of Facilities.

Washington Public Service Commission. 2001. Docket Number UT-000883. Investigation into Rate Zones and Loop Pricing.

New York Public Service Commission. 2001. Investigation into Unbundled Loop Pricing.

New York Public Service Commission. 2000. Case No. 99-C-1337. Dispute concerning Unbundled Network Pricing between ALLTEL and Fairpoint Communications, Inc.

New York, Court of Claims. 2001. Case No. 103138. Competition in Prison Calling.

Federal Communications Commission. 2002. Docket CC-01-338. Facts and Data supporting CLEC Competition.

Prior to these proceedings, I also testified approximately 50 times in the mid-1980's at the state Commissions in California, Nevada, Oregon, Washington, Texas, New Mexico, Arizona and Utah. These filings were all done on behalf of CP National, a regulated telephone company. Filings included such topics as the establishment of access charge rates, the setting of rates in local rate cases, the deregulation of CPE, payphone issues, inside wiring and other issues.

ATTACHMENT A

EXHIBIT 2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 10 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period _____ to _____

Commission File Number 333-33639

EVERCOM, INC.

(Exact Name of Registration as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporated or Organization)

75-2680266
(I.R.S. Employer
Identification Number)

8201 Tristar Drive
Irving, Texas
(Address of Principal
Executive Offices)

75063
(Zip Code)

Registrant's telephone number, including area code-972.988.3737

Securities registered pursuant to Section 12 (b) of the Act.

None
(Title of Each Class)

Securities registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

EVERCOM, INC.
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Form 10-K Report
December 31, 2000

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PART I

ITEM 1. BUSINESS

General

Evercom, Inc. (the "Company") is an independent provider of collect and prepaid calling services to local, county, state, federal and private correctional facilities in the U.S. The Company derives substantially all of its revenues from its operation of inmate telecommunications systems located in correctional facilities in 43 states and the District of Columbia.

The Company's inmate telecommunications business consists of owning, operating, servicing, and maintaining a system of automated operator switches and telephones located in correctional facilities. Generally, inmates may make only collect or prepaid calls from correctional facilities. The Company generally enters into multi-year agreements with correctional facilities pursuant to which the Company serves as exclusive provider of telecommunications services to inmates within the facility. In exchange for the exclusive service rights, the Company pays a percentage of its revenues from each correctional facility to that facility as a commission. Typically, the Company installs and retains ownership of the telephones and related equipment.

Significant costs typically associated with providing telecommunication services to correctional facilities include uncollectible accounts, network, and billing expenses. The Company has developed an integrated call management and billing system to help control these expenses. This system limits inmates to collect or prepaid calls; validates and evaluates the payment history and account status of each number dialed; confirms that the destination number has not been blocked; and processes call records for billing through a third party. To facilitate billing, the Company has entered into 29 separate agreements with regional bell operating companies ("RBOCs") and local exchange carriers ("LECs"), allowing the Company to primarily bill directly through the RBOCs and LECs although the Company utilizes third party billing services to a limited extent.

The Company uses its experience in billing, collection, and control of uncollectible accounts to offer specialized billing and collection services to other inmate telecommunications service providers. These services are referred to as the Company's "Solutions" services. The Company provides Solutions services to a major RBOC, under which the Company performs all of the validation, billing, and collection services for the RBOC's inmate calls. The Company provides similar services to several other inmate telecommunications providers.

The Company was formed in December 1996 to consummate the acquisitions of AmeriTel Payphones, Inc. ("AmeriTel") and Talton Telecommunications Corporation and its subsidiary ("Talton Telecommunications"). In addition to the acquisition of its predecessors, AmeriTel and Talton Telecommunications, the Company also acquired the operations of Tri-T, Inc. ("Tataka") on April 2, 1997, Security Telecom Corporation ("STC") on June 27, 1997, Correctional Communications Corporation ("CCC") on July 31, 1997, the inmate telecommunications division of Communications Central, Inc. ("InVision") on October 6, 1997, the inmate telecommunications division of North American InTeleCom ("NAI") on December 1, 1997, the inmate telecommunications division of Peoples Telephone Company, ("PTC") on December 18, 1997, the inmate telecommunications division of ILD Teleservices, Inc. ("ILD") on January 1, 1998, MOG Communications, Inc. ("MOG") on February 1, 1998, Saratoga Telephone Co., Inc. ("Saratoga") on July 1, 1998, and the inmate telecommunications divisions of Alliance Tel-Com, Inc., KR&K Communications, Inc., U.S. Connect, Inc., Tele-Communications, Inc., and Lake-Tel, Inc. (collectively, "Alliance") on June 1, 1999. (collectively the "Acquisitions").

Special Note Regarding Forward-Looking Information

Certain statements in this Annual Report on Form 10K constitute forward-looking statements. These forward-looking statements are all statements that are not statements of historical fact or that might otherwise be considered opinion, belief, or projection. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, levels of activity, performance, or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. The risks, uncertainties, and other factors to which forward looking statements are subject include, among others, those set forth under the caption "Risk Factors". All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors.

In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although the Company believes that the assumptions and expectations reflected in such forward-looking statements are reasonable, as a result of the foregoing and other factors, no assurance can be given as to future results, levels of activity, performance, or achievements, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. All forward-looking statements included in this Annual Report on Form 10-K are based on information available to the Company on the date hereof, and the Company is under no duty to update any of the forward-looking statements after the date hereof.

Industry Overview

The U.S. has one of the highest incarceration rates of any country in the world. According to the United States Bureau of Justice Statistics, the number of inmates incarcerated in federal and state prisons and in city and county correctional facilities increased from 1.1 million at June 30, 1990 to approximately 1.9 million at June 30, 2000. Of this total, the Company estimates approximately two-thirds were housed in state and federal prisons, with the remainder in city and county facilities. The United States Bureau of Justice Statistics also reports that the number of inmates incarcerated in the U.S. increased by 3 $\frac{1}{2}$ between 1999 and 2000.

The inmate telecommunications industry places unique demands on telecommunications systems and service providers. Security and public safety concerns associated with inmate telephone use require that correctional facilities use call processor technology, which allows the facilities to control inmate access to certain telephone numbers and to monitor inmate telephone activity. In addition, concerns regarding fraud and the called parties' failure to pay for inmate collect calls require systems and procedures unique to this industry.

Inmate telephones in the U.S. are operated by a large and diverse group of service providers. Large telecommunications companies such as RBOCs, other LECs, and interexchange carriers ("IXCs") such as AT&T Corp. ("AT&T"), MCI WorldCom, and Sprint Corporation provide inmate telecommunications in addition to other services. In addition, independent public pay telephone and inmate telephone companies also focus on this market segment. The Company estimates that, as of December 31, 2000, the

Products and Services

The Company has developed its products and services to meet the needs of the inmate telecommunications market. The Company offers the following products and services as part of its core inmate telecommunications business:

- (a) **Inmate Collect Call Services.** The Company provides collect call services on an exclusive basis to its inmate facility customers during the term of the facility's contract. The majority of calls made by inmates from correctional facilities are collect calls, with the balance of the calls being prepaid which in combination comprise a majority of the Company's total revenues.
- (b) **Prepaid Services.** The Company provides prepaid services to inmates and called parties. Prepaid services either allow the recipient of an inmate call to pay in advance for collect calls placed to the recipient or allow inmates to pay in advance for telephone calls placed by that inmate. The Company sells prepaid accounts directly to the called parties. The Company also sells prepaid accounts to correctional facilities at a discount to their face value, which facilities in turn sell at face value to inmates at those facilities. Prepaid services have minimal associated uncollectible account expenses and minimal billing and collection costs. The Company's prepaid services revenues comprise a small percentage of the Company's revenues, but these revenues have been increasing and are expected to continue increasing as a percentage of total revenue due to the Company's prepaid sales initiatives and overall increasing popularity.
- (c) **Solutions Services.** The Company uses its experience in billing and collections and management of uncollectible accounts to offer specialized Solutions services for other inmate telecommunications service providers. The Company is pursuing opportunities to market these services to RBOCs, LECs, IXCs, and other inmate telecommunications providers. The Company currently provides Solutions services to a major RBOC, under which the Company performs all of the validation, billing, and collection services for the RBOC's inmate calls. Under the terms of the agreement, the Company acquires at a discount the related accounts receivable from the RBOC for the calls that the Company processes. When the receivables are purchased, the Company accepts responsibility for all validation, uncollectible accounts, billing and collections costs, with no recourse to the RBOC. However, under the terms of the agreement, all purchased receivables must be processed and validated through the Company's call management and billing system. The Company's revenues from this service equal the difference between the face value of the receivables purchased and the amount it pays the RBOC for the discounted accounts receivable. The contract term is through January 31, 2003 and has no minimum volume commitment. In February 2001, the RBOC notified the Company of its plans to exit the inmate market by the end of 2002 and consequently, the Company expects its revenues to gradually decline from this contract over the next two years. The Company may not have the ability to replace this revenue although it is reasonable to expect that some portion of this RBOC's customers will be converted to Evercom's traditional inmate business. The Company provides similar Solutions services to several other inmate telecommunications providers.
- (d) **Call Processor Services.** The Company has developed proprietary call processor technology to service its correctional facility accounts. The Company also markets this technology to other inmate telecommunications providers and derives revenue from the technology in the form of hardware and software sales.

Billing Arrangements

The Company uses direct and third party billing agreements to bill and collect phone charges. Under direct billing agreements with LECs, the LEC includes collect call charges for the Company's services on the local telephone bill sent to the called party. The Company generally receives payment from the LEC for such calls 30 to 60 days after the end of the month in which the calls are submitted to the LEC for billing. The payment received by the Company is net of a service fee, write-offs of uncollectible accounts, and an estimated reserve for future uncollectible accounts.

Unlike many smaller independent service providers with lower telecommunications traffic, the Company has been able to enter into direct billing agreements with local exchange carriers ("LECs") in most of its markets because of the Company's high market penetration. The Company's increased telecommunications traffic has enabled the Company to enter into 29 direct billing arrangements that allow the Company to direct bill approximately 95% of its collect call revenues in December 2000.

In the absence of a direct billing arrangement, the Company bills and collects its fees through a third-party billing and collection clearinghouse that in turn has a billing and collection agreement with the LEC. When the Company employs a third-party billing and collection clearinghouse, the account proceeds are forwarded by the various LECs to the clearinghouse, which then forwards the proceeds to the Company, less a processing fee that varies from 2% to 3% of billed revenues.

The Company's specialized call management and billing system integrates its direct billing arrangements with LECs with its call blocking, validation, and customer inquiry procedures. This system has also provided the Company with the opportunity to market its billing and collection services to third parties under its Solutions services.

Systems

The Company utilizes a call management and billing system that consists of purchased and internally developed software applications and specialized equipment. This system limits inmates to collect or prepaid calls, validates and verifies the payment history and account status of each number dialed for billing purposes, and confirms that the destination number has not been blocked. The Company installs its internally developed call management system ("CAM") within facilities that provides features such as call monitoring and recording capability. The Company also installs third party call processor technology primarily in smaller facilities.

The Company's database of telephone numbers and call activity provides valuable data to assist the Company in reducing uncollectible accounts and allows the Company to provide extensive call activity reports to correctional facilities and law enforcement authorities. These include reports of frequently called numbers, calls of longer than normal duration, and calls by more than one inmate to the same number, which can assist law enforcement authorities in connection with ongoing investigations.

Other Operations

The Company owns, operates, services, and maintains a system of microprocessor controlled public pay telephones that are ancillary to its inmate telecommunications business, and occasionally installs public pay telephones as an accommodation to, or pursuant to a contract requirement imposed by, its correctional facility customers.

Competition

In the inmate telecommunications business, the Company competes with numerous independent providers of inmate telephone systems, including RBOCs, LECs, and IXCs. Many of the Company's competitors are larger and better capitalized with significantly greater financial resources than the Company. The Company believes that the principal competitive factors in the inmate telecommunications industry are (i) rates of commissions paid to the correctional facilities; (ii) system features and functionality; (iii) system reliability and service; (iv) the ability to customize inmate call processing systems to the specific needs of the particular correctional facility; and (v) relationships with correctional facilities.

Inmate telephones in the U.S. are operated by a large and diverse group of service providers. Large telecommunications companies such as RBOCs, other LECs, and IXCs such as AT&T, MCI WorldCom, and Sprint Corporation provide inmate telecommunications in addition to other services. In addition, independent public pay telephone and inmate telephone companies also focus on this market segment.

Regulation

The inmate telephone industry is regulated at the federal level by the Federal Communications Commission (the "FCC") and at the state level by the public utility commissions of the various states. In addition, from time to time, legislation may be enacted by Congress or the various state legislatures that affects the telecommunications industry generally and the inmate telephone industry specifically. Court decisions interpreting applicable laws and regulations may also have a significant effect on the inmate telephone industry. Changes in existing laws and regulations, as well as the adoption of new laws and regulations applicable to the activities of the Company or other telecommunications business could have a material adverse effect on the Company.

Federal Regulation

Prior to 1996, the federal government's role in the regulation of the inmate telephone industry was limited. The enactment of the Telecommunications Act of 1996 (the "Telecom Act"), however, marked a significant change in the scope of federal regulation of inmate telephone service. Section 276 of the Telecom Act directed the FCC to implement rules to overhaul the regulation of the provision of pay telephone service, which Congress defined to include the provision of inmate telephone service.

Before adoption of the Telecom Act, LECs generally included inmate telephone operations as part of their regulated local exchange telephone company operations. This allowed the LECs to pool revenue and expenses from their monopoly local exchange operations with revenue and expenses from their inmate telephone operations. This commingling of operations made possible the subsidization of the LECs' inmate operations through other regulated revenues. The LECs were also able to shift certain costs from their inmate operations to their local exchange monopoly accounts. In particular, the LECs were able to pool the bad debt from their inmate operations with their other bad debt. Because independent inmate telephone service providers act as their own carrier, they bear the risk of fraudulent calling and uncollectible calls and other bad debt. Bad debt is substantially higher in the inmate telephone industry than in other segments of the telecommunications industry. The LECs' practice of pooling bad debt shifts the high costs of bad debt from inmate telephone operations to the expense accounts of other LEC operations, presenting a vehicle for the cross-subsidization of the LECs' inmate operations. This, in turn, has allowed the LECs to offer commissions to correctional facilities that are

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is currently no established public trading market for the Registrant's issued and outstanding capital stock.

As of December 31, 2000, there were fifty-two holders of the Company's Class "A" common stock (the "Common Stock") and four holders of the Company's Class "B" common stock (the Class "B" Common Stock).

There have been no cash dividends declared on the Common Stock from the period January 1, 1996, through December 31, 2000. The Indenture (the "Indenture") governing the Company's Series "A" and Series "B" Senior notes Due 2007 and the Company's senior credit facility, as amended and restated (the "Senior Credit Facility") contain certain restrictive covenants that are likely to materially limit the future payment of dividends on the Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth information with respect to all securities sold by the Company for the Company's last fiscal year that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). All securities sold and not registered were sold in transactions not involving a public offering under Section 4 (2) of the Securities Act.

Securities sold	Date	Person Acquiring Securities	Amount	Consideration	Use of Proceeds	Terms of Conversion or Exercise
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-None-

ITEM 6: SELECTED FINANCIAL DATA - (in thousands)

The following selected consolidated financial data of the Company and its combined predecessors for each of the five years in the period ended December 31, 2000, have been derived from the Company's audited financial statements.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K.

	Combined Predecessors	The Company				
	Eleven Months Ended Nov 30, 1996	One Month Ended Dec 31, 1996	YEARS ENDED DECEMBER 31,			
			1997	1998	1999	2000
Operating Data:						
Operating Revenues	\$ 51,663	\$ 5,506	\$ 91,773	\$225,293	\$236,801	\$234,510
Operating Expenses:						
Telecommunication costs	23,317	2,299	37,871	99,843	104,376	95,622
Facility commissions	13,962	1,455	25,724	71,206	71,359	75,702
Field operations and maintenance	1,816	219	4,543	7,817	6,428	6,668
Selling, general and administrative	3,921	372	8,540	17,661	17,214	17,748
Depreciation and impairment	1,538	111	2,219	6,692	7,200	8,144
Amortization of intangibles	1,746	741	14,243	26,339	21,527	14,920
Restructuring and other charges (income)	684		400	1,743	(69)	
Total operating expenses	46,984	5,197	93,540	231,301	228,035	218,804
Operating Income (loss)	6,679	309	(1,767)	(6,008)	8,766	15,706
Other (income) expenses:						
Interest expense, net	1,469	612	11,138	19,638	19,458	19,362
Other (income) expenses, net	27	(20)	(76)	(236)	(7)	(55)
Total other (income) expense	1,496	592	11,062	19,402	19,451	19,307
Income (loss) before income taxes and extraordinary loss	5,183	(283)	(12,829)	(25,410)	(10,685)	(3,601)
Extraordinary loss	52		4,740			
Income tax (benefit) expense	1,917	(23)	(642)	476	450	553
Net Income (Loss)	\$ 3,214	(\$ 260)	(\$16,927)	(\$25,886)	(\$11,135)	(\$4,154)
OTHER DATA:						
EBITDA (1)	\$ 9,936	\$ 1,181	\$ 14,771	\$27,259	\$37,500	\$38,825
Net cash provided by (used in) operating activities	7,300	(1,419)	6,048	4,258	15,898	20,209
Net cash used in investing activities	(7,515)	(47,252)	(90,757)	(23,384)	(12,138)	(12,161)
Net cash provided by (used in) financing activities	(547)	48,966	92,193	13,039	(3,463)	(5,841)
Capital expenditures (2)	2,804	269	8,063	13,592	8,397	10,222
Ratio of earnings to fixed charges (3)	4.2					
Deficiency of earnings to fixed charges		\$283	\$12,829	\$25,410	\$10,685	\$3,601
BALANCE SHEET DATA: (AT END OF YEAR)						
Cash and cash equivalents	\$ 531	\$ 294	\$ 7,778	\$ 1,692	\$ 1,988	\$ 4,195
Total assets	\$ 34,708	\$ 80,134	\$ 189,388	\$ 191,466	\$ 172,109	\$ 162,456
Total debt (including current maturities)	\$ 14,845	\$ 63,315	\$ 166,736	\$ 180,483	\$ 172,666	\$ 166,627
Total stockholders' equity (deficit)	\$ 9,361	\$ 6,481	(\$ 10,020)	(\$ 36,113)	(\$ 42,998)	(\$ 48,026)

- (1) For the purpose of this Form 10-K, EBITDA means income before interest, income taxes, depreciation, and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, the Company has included information concerning EBITDA in this Form 10-K because it is commonly used by certain investors and analysts as a measure of a company's ability to service its debt obligations and is a component of the Company's debt compliance ratios. EBITDA should not be used as an alternative to, or be considered more meaningful than operating income, net income, or cash flow as an indicator of the Company's operating performance.
- (2) Capital expenditures include only amounts expended for purchases of property and equipment and the implementation of facility contracts and excludes cash outflows for acquisitions.
- (3) Earnings are defined as earnings (loss) before income taxes from continuing operations and fixed charges. Fixed charges are defined as interest expense and a portion of rental expense representing the interest factor, which the Company estimates to be one-third of rental expense, and amortization of deferred financing expense. This calculation is a prescribed earnings coverage ratio intended to present the extent to which earnings are sufficient to cover fixed charges, as defined.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties. See "--Special Note Regarding Forward-Looking Information."

Overview

The Company is an independent provider of collect and prepaid calling services to local, county, state, and private correctional facilities in the U.S. The Company derives substantially all of its revenues from its operation of inmate telecommunications systems located in correctional facilities in 43 states and the District of Columbia. As of December 31, 2000, the Company served 1,936 correctional facilities.

The Company's inmate telecommunications services consist of collect call and prepaid services. The Company enters into multi-year agreements (generally three to five years) with the correctional facilities, pursuant to which the Company serves as the exclusive provider of telecommunications services to inmates within each facility. In exchange for the exclusive service rights, the Company pays a percentage of its revenue from each correctional facility as a commission to that facility. Typically, the Company installs and retains ownership of the telephones and related equipment and provides additional services to correctional facilities that are tailored to the specialized needs of the correctional industry and to the requirements of the individual correctional facility, such as call activity reporting and call blocking. The Company also generates revenues from public pay telephones that are ancillary to its inmate telephone business.

The Company accumulates call activity data from its various installations and bills its revenues related to this call activity through LECs or through third-party billing services. In addition, the Company accrues the related telecommunications costs for validating, transmitting, billing and collection, and allowances for uncollectible accounts based on historical experience.

period, from 33.7% in 1998 to 35.7% in 2000. This increase is due primarily to higher facility commissions on contracts obtained by the Company through acquisitions, competition for larger facilities, and increased commission rates on renewals. Commission rates are expected to gradually increase as a percentage of revenues in the future. The overall commission percentage to total revenues of 32.3% in 2000 includes the effect of the Solutions services provided under the Company's agreements with a major RBOC and other inmate telecommunications carriers, under which no commissions are paid.

Field Operations and Maintenance. Field operations and maintenance consist of maintenance costs associated with inmate phones and related equipment. These costs are relatively small and more constant components of operating expense.

Selling, General, and Administrative. SG&A expenses consist of corporate overhead and selling expense. These costs are also relatively small and more constant components of operating expenses.

Restructuring Costs. The Company integrated its acquired operations into its existing operations, which resulted in a restructuring charge of \$1.2 million in 1998.

Company History. The Company became the holding company for the operations of its predecessors, AmeriTel and Talton Telecommunications, effective December 1, 1996. The Company also acquired the operations of Tataka on April 2, 1997, STC on June 27, 1997, CCC on July 31, 1997, InVision on October 6, 1997, NAI on December 1, 1997, PTC on December 18, 1997, ILD on January 1, 1998, MOG on February 1, 1998, Saratoga on July 1, 1998, and Alliance on June 1, 1999. The Company has completed the Acquisitions, which have been accounted for using the purchase method of accounting and the Company's results of operations therefore reflect the operations of these companies only subsequent to the effective dates of their respective acquisitions.

The Company's overall telecommunications costs as a percentage of revenues of 40.8% for 2000 and 44.1% for 1999 include the effect of the Company's Solutions services provided to a major RBOC and other inmate telecommunications carriers as discussed in "Overview." These Solutions services exhibit higher telecommunication costs as a percentage of revenue than the Company's traditional inmate business.

Facility commissions increased by \$4.3 million, from \$71.4 million in 1999 to \$75.7 million in 2000. Facility commissions represented 30.1% of operating revenues in 1999 and 32.3% in 2000, an increase of 2.2%. The overall commission percentage to total revenue includes the effect of the billing and collection services provided to a major RBOC as discussed in "Overview." Commission expenses as a percentage of revenue for the Company's traditional inmate collect business was 33.8% and 35.7% for the years ended December 31, 1999 and 2000, respectively. Facility commissions are expected to gradually increase as a percentage of revenue in the future.

Field operations and maintenance costs increased by \$0.3 million, from \$6.4 million in 1999 to \$6.7 million in 2000. Field operations and maintenance costs represented 2.7% of operating revenues in 1999 and 2.8% of operating revenues in 2000, an increase of 0.1%. The Company has substantially completed its consolidation and integration of its acquisitions. Consequently, field operations and maintenance costs are expected to be a relatively constant component of the Company's cost structure.

SG&A costs increased by \$0.5 million, from \$17.2 million in 1999 to \$17.7 million in 2000. SG&A represented 7.3% of operating revenues in 1999 and 7.6% of operating revenues in 2000, an increase of 0.3%. This increase is primarily due to increased staffing to support enhancements to the Company's information systems and to execute new sales initiatives.

Total depreciation and amortization costs decreased by \$5.6 million, from \$28.7 million in 1999 to \$23.1 million in 2000. Depreciation and amortization costs represented 12.1% of operating revenues in 1999 and 9.8% of operating revenues in 2000, a decrease of 2.3%. The decrease as a percentage of operating revenues is primarily due to amortization associated with the acquisitions of inmate facility contracts by the Company. The Company amortizes acquired inmate facility contracts over each contract's remaining term at the acquisition date. As the contract terms expire, the acquired inmate facility contracts become fully amortized and overall amortization expense declines. Amortization expense will continue to be a substantial portion of the Company's operating expenses.

Other (income) expense, consisting primarily of interest expense, remained relatively constant at \$19.5 million in 1999 and \$19.3 million in 2000.

Net Loss. The Company's net loss decreased by \$7.0 million, from \$11.1 million in 1999 to \$4.2 million in 2000 as a result of the factors described above.

EBITDA increased by \$1.3 million from \$37.5 million in 1999 to \$38.8 million in 2000. EBITDA as a percentage of operating revenues increased from 15.8% in 1999 to 16.6% in 2000 due to the factors described above.

Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, the Company has included information concerning EBITDA in this Form 10-K because it is commonly used by certain investors and analysts as a measure of a company's ability to service its debt obligations and is a component of the Company's debt compliance ratios. EBITDA should not be used as an alternative to, or be considered more meaningful than, operating income, net income or cash flows as an indicator of the Company's operating performance. Several of the Company's subsidiaries are subject to

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Stockholders of Evercom, Inc., and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Evercom, Inc., and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Dallas, Texas

June 1, 2001

EVERCOM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS - Evercom, Inc. and subsidiaries (the "Company") owns, operates and maintains telephone systems under contracts with correctional facilities in 43 states and the District of Columbia. The Company was incorporated on November 20, 1996, and effective December 1, 1996, acquired all of the outstanding equity interests of Talton Telecommunications Corporation and AmeriTel Pay Phones, Inc. The Company has grown through numerous subsequent acquisitions, as discussed in Note 2.

The Company accumulates call activity from its various installations and bills its revenues related to this call activity through major local exchange carriers ("LECs") or through third-party billing services for smaller volume LECs, all of which are granted credit in the normal course of business with terms of between 30 and 60 days. The Company also provides Solutions services in the form of validation, billing and collection services for the inmate calls of a major regional bell operating company and several other inmate telecommunication carriers. The Company performs ongoing credit evaluations of its customers and maintains allowances for unbillable and uncollectible losses based on historical experience.

The Company operates in only one business segment as its operating activities are related to the operation and processing of collect and prepaid calling services to local, county, state and private correctional facilities in the United States.

PREPARATION OF FINANCIAL STATEMENTS - The preparation of financial statements in conformity with accounting principles, generally accepted in the United States, requires management to make estimates and assumptions, such as estimates of allowances and reserves for unbillable and uncollectible chargebacks that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Evercom Systems, Inc. and EverConnect, Inc. As of January 1, 1999, the company merged most of its then existing subsidiaries into Talton InVision, Inc., also a wholly owned subsidiary at that time. Concurrent with the merger, the Company amended Talton InVision, Inc.'s Certificate of Incorporation to continue its existence as Evercom Systems, Inc.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash on hand and investments with a remaining maturity at date of purchase of three months or less.

ACCOUNTS RECEIVABLE - Trade accounts receivable represent amounts billed for calls placed through the Company's telephone systems to the various LECs or third-party billing services, net of advance payments

received, and an allowance for unbillable and uncollectible calls, based on historical experience, for estimated chargebacks to be made by the LECs. Under account advance agreements with various third-party billing services, advance payments equal to a percentage of the outstanding billed receivables are remitted to the Company when calls are submitted to the third-party billing service, and the Company grants a lien to the third-party billing service on the related accounts receivable for the advance. The remainder of the billed receivable is paid to the Company, net of the advance amounts, after the third-party billing service has collected the amounts receivable from the respective LECs. Interest is charged on the advance payment at varying rates.

INVENTORIES - Inventories are stated at the lower of cost, as determined primarily using the weighted average cost method, or market. Inventory is primarily composed of equipment for installation on new contracts and supplies and parts for the telephone systems serviced by the Company.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the related assets. The following is a summary of useful lives for major categories of property and equipment.

ASSET	USEFUL LIFE
Leasehold improvements	Lesser of life or lease term
Telephone system equipment	3.5 to 7.5 years
Vehicles	3 years
Office equipment	3 to 7 years

Maintenance and repairs are expensed when incurred and major repairs that extend an asset's useful life are capitalized. When items are retired or disposed, the related carrying value and accumulated depreciation are removed from the respective accounts, and the net difference less any amount realized from the disposition is reflected in earnings.

INTANGIBLE AND OTHER ASSETS - Intangible and other assets primarily include amounts allocated to acquired facility contracts, non-compete agreements, goodwill and other intangible assets, which are stated at cost, along with the long-term portion of customer advances. Amortization of intangible assets is provided on a straight-line basis over the estimated useful lives of the related assets. The following is a summary of useful lives for major categories of intangible assets:

ASSET	USEFUL LIFE
Acquired facility contracts	Contract term
Non-compete agreements	Agreement term
Deferred loan costs	Loan term
Other assets and intangibles	2 to 5 years
Goodwill	20 years

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31.	
	1999	2000
Leasehold improvements	\$913,420	\$944,292
Telephone system equipment	39,666,667	46,285,050
Vehicles	429,460	430,548
Office equipment	2,540,215	2,727,911
	-----	-----
	43,549,762	50,387,801
Less accumulated depreciation	(15,174,405)	(23,318,556)
	-----	-----
	\$28,375,357	\$27,069,245
	-----	-----

DEPRECIATION AND IMPAIRMENT - Depreciation and impairment in 1998, 1999 and 2000 includes depreciation expense of \$5,996,816; \$7,199,737; and \$ 8,144,151, respectively. Also included in depreciation and impairment in 1998 is an impairment loss of \$695,138, representing the net book value of telephone system equipment that was removed from service.

5. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of the following:

	December 31.	
	1999	2000
Intangible and other assets		
Acquired telephone contracts	\$67,761,060	\$71,566,718
Noncompete agreements	568,611	568,611
Deferred loan costs	8,636,059	9,042,247
Goodwill	84,530,834	84,730,834
Other intangibles	766,502	783,096
	-----	-----
	162,263,066	166,691,506
Less accumulated amortization	(65,195,703)	(81,221,978)
	-----	-----
	97,067,363	85,469,528
Deposits	431,996	418,150
Other assets - noncurrent portion of commission advances to facilities	229,674	103,704
	-----	-----
	\$97,729,033	\$85,991,382
	-----	-----

ATTACHMENT A

EXHIBIT 3

SECTION C STATEMENT OF WORK

C.1 INTRODUCTION

This section describes the current functional and technical environments within the Federal Bureau of Prisons (BOP) and specifies the work to be performed by a new Inmate Telephone System (ITS-II) which will replace the existing Inmate Telephone System (ITS). Offerors are to submit proposals for the complete system as described within this Statement of Work (SOW). All requirements within this SOW are the responsibility of the contractor.

C.1.1 Structure of Section C

This subsection provides the structure of Section C.

Introduction (C.1): This section describes the mission of the BOP, its organizational structure, and provides background information about the federal correctional environment. This section also describes the services and functionality of the current the ITS, as well as the BOP's concept of operations for the new ITS-II.

Functional Requirements (C.2): This section describes the functional requirements of ITS-II including services, operations, infrastructure, and system components. These requirements are segmented into the following general categories:

- Inmate Telephone Service Requirements
- Management of Inmate Telephone Accounts
- Administrative Requirements
- System Requirements

Transition and Implementation Requirements (C.3): This section describes the requirements for the ITS-II transition process and implementation.

Maintenance Requirements (C.4): This section describes the requirements for ongoing maintenance support of the ITS-II operations, including the maximum downtime allowed, escalation plans, and monthly reports

Training and Documentation (C-5): This section describes the requirements to provide training and documentation

General Contractor Requirements (C.6): This section describes the requirements in areas such as project and configuration management, quality assurance, and compliance with applicable standards and regulations

C.1.1.1 General Overview

The only purpose of this section is to provide potential offerors general information on the environment of the BOP and the inmate community, and general requirements of the ITS-II. Offerors shall not provide responses to information within this section.

Federal Bureau of Prisons

The BOP is a bureau within the Department of Justice (DOJ). The contract that will potentially result from this procurement will be administered and overseen by the BOP. Throughout the life of the contract, the BOP shall remain the sole authority and point of contact with the successful offeror.

Mission of the BOP. The mission of the BOP is to protect society by confining offenders in controlled environments of prisons and community-based facilities that are safe, humane, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

Mission of the Trust Fund Branch. The Trust Fund Branch is a component of the BOP, and is part of the BOP Central Office located in Washington, DC. The mission of the Trust Fund Branch is to provide management and service to the BOP, consistent with maintaining stability and financial integrity of the Trust Fund and Inmate Deposit Fund. This branch oversees the operation of the BOP's Commissary, ITS, Warehouse, Laundry, and Clothing Issue operations.

Mission of the Trust Fund Branch, ITS Section. The ITS Section is a component of the Trust Fund Branch, located in Washington, DC. The ITS Section is responsible for the Bureau-wide and on-site implementation of the ITS-II, including development of policy and procedures, oversight of daily operations, training, and continuing technical support.

Mission of Correctional Facility ITS Staff. BOP correctional facility staff work in individual BOP correctional facilities, located throughout the United States. BOP correctional facility ITS staff are responsible for creating, changing, and deleting inmate accounts; updating inmate calling parameters; using the ITS to generate and analyze call records; training the inmates on how to use the ITS; and other necessary local administrative functions.

Correctional Environment. The following paragraphs provide information regarding the correctional environment in which the ITS-II will operate.

Federal Inmate Population. The BOP currently operates approximately 90 federal prisons throughout the United States and Puerto Rico. Each correctional facility houses between 300 and 4,500 inmates, with an average population of slightly over 1,000 inmates per correctional facility and a total population of approximately 100,000 inmates. See **Exhibit J-1, Correctional Facility Information** for detailed information regarding correctional facilities and inmate populations.

Provided below is information on the BOP Central Office, BOP Regional Offices, BOP Management and Specialty Training Center (MSTC), and the correctional facilities within the BOP.

BOP Central Office. The BOP Central Office is located in Washington, DC. The BOP Central Office is the location for the administrative headquarters for the agency and for the operation of the ITS. An inmate telephone system is installed at the BOP Central Office and used by BOP Central Office, Trust Fund Branch, ITS Section staff for administrative, testing, and training purposes.

Regional Offices. The BOP is currently divided into six regional districts, each with a Regional Office. The six Regions are: Mid-Atlantic, North Central, Northeast, South Central, Southeast, and Western. Each operates under the direction of the Director of the BOP. These six Regional Offices do not currently play a direct role in the operation of the ITS.

MSTC. The BOP MSTC is located in Aurora, Colorado. The BOP provides staff training on the policies and operation of the ITS at this facility. An inmate telephone system is installed at the MSTC for these training purposes.

Correctional Facilities. Federal correctional facilities are divided into classifications according to security level. It is important to recognize that inmates' use of the ITS (and therefore system traffic) may differ depending on the security level of the specific correctional facility and on the BOP's administrative requirements for specific facilities. Inmates incarcerated at higher security correctional facilities will typically have less calling privileges than inmates at lower security correctional facilities.

Exhibits within this SOW refer to correctional facilities with designators identifying the level of security. The following security level definitions are intended to aid the offeror in understanding these designations and to provide some general information which may or may not impact ITS-II usage.

- **Low:** Low designates the lowest level of security. These facilities house predominantly low security level inmates. Some of these facilities function as independent facilities and others operate as a satellite camp to a higher security level correctional facility. Low correctional facilities may be designated as a Federal Prison Camp (FPC), Federal Correctional Institution Low (FCI Low), or Low Security Correctional Institution (LSCI). These low security level correctional facilities typically allow inmates greater calling privileges than higher security level facilities.
- **Medium:** Medium designates a medium level of security. These facilities house predominantly medium security level inmates and sometimes perform the administrative functions, including ITS operations, for a satellite camp. Medium security level correctional facilities may be designated as a Medium Security Correctional Institution (MSCI), or Federal Correctional Institution (FCI). Inmate access to the telephones at these facilities is typically more restricted.

than lower security facilities.

- **High:** High designates a high level of security. These facilities house high security level inmates and sometimes perform the administrative functions, including ITS operations, for a satellite camp. High security level facilities may be designated as a High Security Correctional Institution (HSCI) or United States Penitentiary (USP). Inmates at these facilities typically have restricted access to telephones at night.

- **AD-MAX:** Ad-Max designates the highest level of security in the federal system. Inmate access to telephones is extremely restricted. Only one correctional facility in Florence, Colorado is currently designated as Ad-Max.

- **Detention Centers:** Detention Centers typically house inmates for a short period of time. Inmate turnover is high at these facilities. Detention Centers may be designated as a Metropolitan Correctional Center (MCC), Federal Detention Center (FDC), Metropolitan Detention Center (MDC), or Federal Transfer Center (FTC). Due to the amount of inmate turnover at these facilities, it is anticipated that inmates at these facilities will predominantly use collect calling telephone services. However, direct dial calling capabilities shall be made available by the contractor at all facilities.

- **Medical Centers:** Medical centers typically house all security levels of inmates. These correctional facilities may be designated as a United States Medical Center for Federal Prisoners (USMCFP) or Federal Medical Center (FMC).

- **Federal Correctional Complexes (FCC):** The BOP has several FCCs which consolidate multiple levels of security and several facilities in one general location. Although the facilities maintain some independent functionality, some ITS-II procedures could be consolidated for complex facilities. For example, if technically sound and if deemed appropriate from a functional point of view, telecommunications equipment could be configured to support a complex of three or four correctional facilities within the same geographical location. Of the approximately 100 correctional facilities (not including satellite camp environments) in use within the federal system, approximately 10 percent are part of a complex.

- **Intensive Confinement Center (ICC):** ICCs provide inmates with a strict regimen of activities and place restrictions on inmate access to telephone calls. Currently all BOP ICCs operate as satellite facilities to higher security correctional facilities.

C.1.1.2 Description of the Current ITS

Currently the BOP has three basic systems installed

- Collect systems offering only collect calling.
- ITS offering predominantly direct dial calling.
- Automated Collect Call Operator (ACCO) ITS system with ACCO offering both collect and direct dial calling

Exhibit J-1, Correctional Facility Information contains information on each correctional facility, including the type of telephone system installed and other statistics.

Inmate Calling Patterns. Telephone service provisioning information for each correctional facility is presented in **Exhibit J-1, Correctional Facility Information**. Current estimates of inmate traffic volumes are presented in **Exhibit J-2, Traffic Volume Estimates**. Traffic volumes presented in **Exhibit J-2** are provided as estimates only. These estimates are derived from past history only and do not imply a guarantee of future traffic volume to the contractor.

Reports. The present ITS provides instantaneous detailed call information for each inmate and each call. Using this information, the ITS provides the BOP with approximately 25 standard reports.

Connectivity. The existing ITS consists of stand-alone systems that do not provide any system-wide capabilities. Switches within each correctional facility operate independently; no data is passed to a central location (whether logical or physical) or to any other correctional facility.

Interfaces. The ITS receives data input from the Trust Fund Commissary system which is referred to as the Federal Prison Point of Sale (FPPOS) System, sends call record data to the Automated Intelligence Management System (AIMS) used by correctional facility investigative staff, and interfaces with a Dictaphone voice recorder provided by the government.

The ITS is connected in a receive-only manner with the FPPOS System, dictated by the need to receive Commissary credits and perform other transactions of an accounting nature.

The ITS is connected in a send-only manner with the AIMS, under the control of a BOP staff member called the Special Investigative Supervisor (SIS). The ITS transmits call record data to the AIMS upon request from SIS.

Refer to **Exhibit J-3, Current ITS Architecture**

System Components. The following paragraphs in this section provide an overview of the system components that provide ITS functionality.

Hardware. The hardware design of each current ITS includes the following:

- Telephone handsets.
- Telephone switch.
- Voice processing unit (VPU).
- Central processing unit (CPU) and database.
- Local and remote terminals.
- Printers.
- Modems.

Software. The current ITS operating system is a UNIX-based, multitasking operating system, although ITS users do not interact directly with UNIX.

System software controls events occurring from the time an inmate telephone goes off-hook until the call is terminated. The software steps through a sequence of events during each call which includes, but is not limited to:

- Checking the inmate's personal identifier and calling parameters.
- Checking the carrier rate tables.
- Directing the switch to either connect or not connect a call.
- Supporting real-time accounting functions, including debiting an inmate's account.
- Providing a detailed audit trail of inmate calls.
- Providing a detailed audit report of deposits and withdrawals.

System Backup. A complete system tape backup is performed daily at each correctional facility. These tapes are kept for five days before the information is erased and the tapes are reused. In the event of a catastrophic failure, such as corrupt backup files, a printout performed for each call provides the BOP with information to manually re-key call account information into the ITS.

C.1.1.3 Description of the New ITS (ITS-II)

The purpose of this section is to provide offerors with a high level general description of the purpose and scope of this procurement, including major ITS-II features and capabilities and roles and responsibilities of the successful offeror. The emphasis is on providing an overview of major ITS-II characteristics and to provide an overall context to help offerors understand the scope of this procurement. This section is for informational purposes only, it does not address all ITS-II requirements, nor does it require responses from offerors.

ITS-II Overview

The purpose of the ITS-II is to provide inmates in federal correctional facilities operated by the BOP with outbound telephone services and to provide the BOP with the means to ensure the proper and lawful use of this system by inmates. Insofar as the availability of such services is important to inmate morale and hence correctional facility security, the ITS-II is considered by the BOP to be a critical service element with stringent availability and quality of service objectives. The ITS-II will consist of the following components:

- A centralized database, network based management system. Refer to Exhibit J-4, ITS-II Concept Design, for one possible design
- One type of system for all BOP facilities which can be configured independently at each correctional facility.
- Telecommunications capabilities located at each correctional facility which provide outbound direct dial and collect calling services to inmates and administrative capabilities to BOP personnel
- Administrative and system support and training capabilities at the BOP Central Office in Washington DC and the MSTC in Aurora, Colorado
- A Central Operations Facility (COF) located at a contractor provided site
- Direct dial and collect call capabilities
- Wide area network facilities to link ITS-II components at correctional facilities with BOP administrative systems and contractor maintenance and management systems.

The scope of this procurement is a nationwide deployment of the ITS-II to federal correctional facilities in the United States, Puerto Rico, the BOP Central Office in Washington DC, and the MSTC in Aurora, Colorado. The ITS-II will provide telephone service to federal inmates. The objective of this procurement is to have a contractor provide a network based centralized database management system capable of providing a complete array of outbound calling services

to the BOP for use by its inmates. The contractor shall install and maintain all ITS-II hardware and software at all BOP facilities.

The BOP will not lease equipment, software, or services from the contractor except as identified in Section B-4.

ITS-II Direct Dial and Collect Inmate Calling Services

The BOP will establish an ITS-II account for each inmate to place calls. Inmates will be capable of transferring funds from their Commissary accounts to the ITS-II. The ITS-II shall provide a voice response interface which will prompt an inmate through this transfer process. These transferred funds are purely representative of actual funds held in accounts by the BOP. The transferred funds will be added to the inmate's ITS-II account to create an individual inmate telephone account balance. It is this account balance which will be automatically and immediately reduced by ITS-II as direct dial calls are taking place. ITS-II will not allow this account balance to reach a negative balance.

The ITS-II will process local, long distance, and international direct dial and collect calling services for inmates at federal correctional facilities (International collect is optional). The ITS-II contractor shall be responsible for providing local and international service using carriers it selects for these services. All long distance direct dial calls to areas within the U.S. and Puerto Rico originating in the U.S. will be routed over FTS circuits provided by the BOP.

Collect calling services will be fully automated and will not involve the use of a human operator at any stage of a collect call, unless agreed to by the BOP in extraordinary circumstances. The ITS-II contractor will provide carriers for all local, long distance, and international collect calls. The ITS-II contractor will provide all services associated with collect services such as billing and out-cleaning. The contractor shall, if ordered by the BOP, transition the BOP correctional facilities that currently provide non-ITS collect only service to the contractor's collect service until the contractor's full direct dial/collect system can be implemented. Once the ITS-II is fully installed, collect calls placed by inmates will be processed through the system in the same manner as direct dial calls.

The BOP's intention is to allow inmates the opportunity to place up to 120 minutes of collect calls per month for a four year period following the award of this contract. At the end of this four year period, the BOP may re-evaluate its collect call requirements. The BOP currently has no general restriction on direct dial calls, but as with many correctional programs, telephone access is under constant review and subject to change.

ITS-II Administrative Capabilities

In addition to inmate direct dial and collect call services, the BOP requires various administrative capabilities to ensure the financial integrity of the inmate Trust Fund. These capabilities are: inmate account management, audit trails, transaction reports, centralized management and report

capabilities, capabilities to detect and eliminate fraud in order to protect the financial integrity of the inmate Trust Fund and the public

Quality of Service

Because of the importance of ITS-II in maintaining inmate morale at a correctional facility, the BOP seeks to obtain a very reliable, highly available service for federal inmates through this procurement. The quality of system reliability and voice transmission on all ITS-II calls must be in conformance with all appropriate industry standards for voice communications in office environments

ITS-II Contractor Responsibilities

The contractor has the sole responsibility for ensuring the ITS-II meets the requirements of this contract at all BOP correctional facilities and locations on a daily basis. The contractor is responsible for managing all subcontractors, including hardware and software providers, carriers, and other service providers involved in supporting the ITS-II service throughout the term of the contract. The contractor will manage all aspects of ITS-II installation at BOP locations, manage and coordinate all aspects of subcontractor activity during installation, respond to calls from BOP staff regarding system problems and assume complete responsibility for compliance with BOP maintenance requirements. The ITS-II contractor will be solely responsible for payment of all subcontractors and for the performance and conduct of all subcontractors involved with supporting the ITS-II

The ITS-II contractor shall consider FTS services and access facilities to be "government furnished equipment", and will not be responsible for paying the FTS vendor for long distance service used in providing long distance direct dial service to BOP inmates. However, the contractor will be responsible for coordinating with the FTS vendor and the BOP as necessary to help resolve all service problems

C.1.1.4 Contract Structure

The objective of the BOP in this procurement is not to purchase or lease the ITS-II, but to enter into a relationship with the successful contractor in which the contractor provides ITS-II services to the BOP in exchange for portions of the revenues collected from direct dial and collect calls

C.2 FUNCTIONAL REQUIREMENTS

This section defines requirements which shall be provided by ITS-II. Unless otherwise stated, each requirement is mandatory and shall be evaluated as such. The contractor shall provide the detailed technological and procedural methods of satisfying all functional requirements. These methods will be evaluated as part of the competitive award process to ensure that the ITS-II as procured provides the required functionality using sound technical methods.

C.2.1 Inmate Telephone Service Requirements

The ITS-II shall provide inmates with access to direct dial and collect call services as described within this section. These services shall support a present inmate population of approximately 100,000 and anticipated growth to a future population of approximately 150,000 inmates in the next 10 years. The contractor shall provide an ITS-II which is capable of operating in 150 correctional facilities in the United States and Puerto Rico. Correctional facility information and traffic volume estimates are provided in Exhibits J-1 and J-2.

C.2.1.1 Compliance with Regulatory Agencies

The contractor shall be responsible for compliance with all regulatory requirements imposed by local, state, and federal regulatory agencies for all systems and services provided throughout the performance period of this contract

C.2.1.2 Meeting New Industry Standards

The contractor shall be responsible for making all system modifications necessary to allow inmates to place calls as industry dialing requirements change, at no additional cost to the BOP.

The contractor shall be responsible for complying with and updating the ITS-II for any regulatory changes and requirements during the life of the contract. These regulatory changes include federal, state, county, and municipal modifications. These changes shall be made at no additional cost to the BOP.

C.2.1.3 Call Processing Information

All call processing and call rating information shall be kept current by the contractor to ensure inmates can place calls to all approved numbers. This information includes but is not limited to local exchanges, area codes, country codes, vertical and horizontal coordinates, and any other information necessary to accurately process and rate calls. The contractor shall provide the BOP with rating information for all calls when requested by the BOP.

C.2.1.4 Number Blocking

In addition to other methods of blocking calls as stated elsewhere in this SOW, the contractor shall be responsible for blocking all calls made to telephone numbers which incur excess charges such as 972, 976, etc. The contractor shall also be responsible for blocking inmate calls to long distance carrier access numbers (i.e., 10333, 10288). The contractor shall also be responsible for blocking all local numbers which access long distance carriers such as 950-XXXX.

C.2.1.5 Communications Interfaces

The ITS-II shall support all industry accepted telecommunications network interfaces required for connectivity to telecommunications carriers to support all outbound calling services. The ITS-II shall specifically support all interfaces required for connection to BOP provided FTS services. The contractor shall be capable of interfacing with BOP provided internal telephone wiring via Amphenol connectors.

C.2.1.6 Direct T-1 Digital Interface

Due to space limitations, the ITS-II shall be capable of accepting multiple direct T-1 digital circuits for the voice services necessary to fulfill the requirements of this contract. This requirement shall not be fulfilled through the use of an external channel bank. The contractor may provide a limited amount of services over individual analog lines if 12 or less lines are required to complete the amount of circuits necessary to provide the required service.

The BOP will provide digital T-1 circuits as necessary for processing direct dial long distance calls through the ITS-II via the FTS. The contractor shall provide digital T-1 circuits for their required services, where available through the local telephone company. This requirement shall be waived at those sites which the contractor is providing the Special Interim Collect Service described elsewhere in this RFP.

C.2.1.7 Outbound Only Calls

The ITS-II shall allow inmates to process only outbound calls. Inbound calls shall not be processed by the system.

C.2.1.8 Second Dial Tone

The ITS-II shall not allow an inmate to obtain a second dial tone without hanging up the telephone after the first call.

C.2.1.9 Time to Dial Tone

The ITS-II shall not take more than two seconds to provide a dial tone to the telephone once the

receiver is lifted off of the hook.

C.2.1.10 Call Setup and Process Time

The ITS-II shall take a maximum of ten seconds to process a call, from the last digit dialed from the telephone keypad until the last digit is sent to the service provider.

C.2.1.11 Maximum Ring Time

The ITS-II shall provide a maximum ring time, for all calls, of two minutes prior to disconnecting a call. The amount of ring time may be adjusted with the concurrence of the BOP COTR

C.2.1.12 Call Process Notification

The ITS-II shall provide notification to an inmate of the call status (i.e., ringing, busy). This notification may either be in the form of ringing and busy tones or appropriate messages at ringing intervals. This requirement is for both direct dial and collect calls.

C.2.1.13 Call Answer Notification

Once a call has been answered by the called party, the ITS-II shall immediately begin playing the necessary voice interaction scripts and replay them until the called party responds or the time limit for responses expires. This requirement is for both direct dial and collect calls.

C.2.1.14 Separation of Voice Path Until Call Acceptance

The ITS-II shall not allow the called party or the calling party to speak to or hear the other party except for the prerecorded name, until the call has been accepted. This requirement is for both direct dial and collect calls

C.2.1.15 Electrical Conditioning

The contractor shall be responsible for service outages due to electrical surges or reduced voltages in any portion of the system or service. These include outages or reduced voltages due to lightning or poor electrical qualities provided from the correctional facility.

C.2.1.15.1 It shall be the contractor's responsibility to provide electrical conditioning and protection, such as Universal Power Supplies and surge protection strips to protect all ITS-II equipment against power outages, electrical surges, reduced voltages, and/or poor electrical qualities provided from the correctional facility. Any changes to the physical structure of a correctional facility for the installation of these conditioning and protection devices must be approved by and coordinated with the BOP.

C.2.1.15.2 The ITS-II shall be capable of recovering from a power outage automatically or remotely once power is restored.

C.2.1.16 Called Party Voice Message Announcements

The ITS-II shall have the capability to make the following types of voice message announcements. The exact announcements and language will be determined by the BOP after award of contract.

C.2.1.16.1 The ITS-II shall provide the called party with an opportunity to deny all future calls of that same type from an inmate by responding to a voice response prompt when answering a call. This feature shall be available for both debit and collect calls. The BOP shall have the capability to turn this feature on or off.

C.2.1.16.2 The ITS-II shall have the capability to provide automated messages to the called party in the language specified (English or Spanish) by the inmate for that called number. This feature shall be available for both debit and collect calls.

C.2.1.16.3 The ITS-II shall have the capability to accept the called party's response via keypad input from the telephone or a voice response and shall accept rotary dialed responses.

C.2.1.16.4 The ITS-II shall have the capability to interject messages into a telephone call at random intervals (e.g., "this call is from a federal correctional facility") as deemed necessary by the BOP and at BOP determined intervals. This feature shall be available for both direct dial and collect calls. The BOP shall have the capability to turn this feature on or off.

C.2.1.16.5 The ITS-II shall be capable of announcing to the called party that the call is collect or direct dial, as appropriate. The BOP shall have the capability to turn this feature on or off.

C.2.1.16.6 The ITS-II shall be capable of providing an announcement message to the called party that the call is from a Federal Prison, configurable by the BOP, and used as determined by the BOP. This feature shall be available for both direct dial and collect calls. The BOP shall have the capability to turn this feature on or off.

C.2.1.16.7 The ITS-II shall be capable of announcing to the called party the name of the calling party. Offerors are encouraged but not required to provide a mechanism to record an inmate's name one time to be used each time this announcement is required. The BOP shall have the capability to turn this feature on or off for direct dial and/or collect calls.

C.2.1.16.8 The ITS-II shall be capable of announcing to the called party how to accept calls. This feature shall be available for both direct dial and collect calls.

- C.2.1.16.9** The ITS-II shall be capable of announcing to the called party an instruction to proceed talking. This feature shall be available for both direct dial and collect calls
- C.2.1.16.10** The ITS-II shall be capable of announcing to the called party the collect call rate, prior to acceptance, when a collect call is placed.
- C.2.1.17 Trunk Group Availability**
- C.2.1.17.1** The contractor shall provide sufficient equipment and outgoing trunks to ensure that the probability of blocking a call made by an inmate does not exceed ten percent during the busiest hour at any institution. The BOP will provide all FTS circuits requested by the contractor to meet this requirement for direct dial long distance calls.
- C.2.1.17.2** The contractor shall evaluate the percentage of calls blocked by call type for each institution on a monthly basis and shall increase the system/service capabilities within 30 days, to meet the minimum of ten percent call blocking.
- C.2.1.18 Trunk Rotation**
- C.2.1.18.1** The contractor shall provide the ITS-II so that when a trunk is unavailable, the call shall be automatically rerouted to the next available trunk.
- C.2.1.18.2** Trunks shall not be permanently assigned or affixed to an individual telephone or station. Telephone stations shall access the next available trunk on a rotating basis.
- C.2.1.18.3** The contractor shall provide the BOP with a flow chart(s) of call processes including voice response decision branches which the ITS-II will be required to follow. This flow chart(s) shall be maintained current throughout the life of this contract and provided to the BOP as changes are made.
- C.2.1.19 Voice Quality**
- C.2.1.19.1** The quality of voice connections provided by the ITS-II shall meet or exceed appropriate industry standards in use in the United States and enacted by appropriate standards organizations (Bellcore, IEEE, ANSI, NIST, FIPS) for transmitted and received levels, noise, cross-talk, and frequency range. The contractor shall provide the BOP with the standard to which their ITS-II will adhere.
- C.2.1.19.2** This voice quality level shall be in place for all telephone services at all stages of a call and shall not be affected by any other ITS-II feature, function, or capability.

C.2.1.20 Direct Dial Service

The ITS-II shall process direct dial calls through services provided by the contractor and the BOP. The contractor will not bill inmates for direct dial services.

C.2.1.20.1 Rates

The telephone rates used to generate revenue for direct dial calls shall be established in the following manner:

- The ITS-II contractor shall propose a per minute rate which will be charged to the BOP for each direct dial call type within each maintenance service level.
- The contractor shall charge the BOP the rate which corresponds to the maintenance service level chosen by the BOP (refer to Section C.4 for a description of maintenance levels). The BOP will choose the same maintenance service level for both direct dial and collect calls and will choose one maintenance service level for all facilities.
- The BOP will add a per minute charge to each direct dial call type within the maintenance service level chosen. This charge plus the contractor's per minute rate within the maintenance service level chosen by the BOP shall constitute the total amount charged by the ITS-II to the inmate account for each direct dial call minute. The ITS-II shall provide the BOP with an input field for each direct dial call type to allow the BOP to enter a per minute charge which will be added to the contractor's direct dial rates being charged
- The ITS-II shall reduce inmate accounts in whole minute increments for all direct dial calls

C.2.1.20.2 Revenues

The contractor will be compensated by the BOP on a per minute basis for all completed direct dial calls placed by inmates over the ITS-II

Monthly, the contractor shall invoice the BOP for the number of direct dial minutes times the contractor's direct dial rate for the maintenance service level chosen by the BOP. If the contractor's maintenance level for that month is not met and is less than that level chosen by the BOP, the contractor shall only invoice the BOP at the rates which correspond to the actual lower maintenance level met

C.2.1.20.3 General Direct Dial Service Requirements

- A. Call charges for inmates shall not begin until the called party has accepted the call.
- B. Call charges shall stop when either the calling or called party hang up.
- C. The ITS-II shall be capable of dialing a pre-programmed authorization code to access FTS circuits prior to initiating a call. This code is configurable by the BOP, may consist of eight to eleven digits, and may be activated or deactivated by the BOP on a correctional facility by correctional facility basis. This code shall be capable of being changed at each correctional facility by BOP Central Office staff as needed.
- D. Inmates shall not be charged for calls which result in Special Information Tones (SIT)
- E. The BOP will provide FTS circuits for processing direct dial long distance calls through the ITS-II. This service will be available through the existing GSA FTS2000 contract as well as any post-FTS2000 contract. The contractor's ITS-II shall use this service and meet all requirements of the SOW.

C.2.1.20.4 Local Direct Dial Service

The contractor shall provide local direct dial telephone service at all correctional facilities where the ITS-II is installed. The local calling area shall be equivalent to the local calling public pay phone area at each correctional facility. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II. The contractor shall assure the ITS-II is capable of identifying a dialed number as local, based on the payphone calling area, and correctly rate and route the call.

C.2.1.20.5 Long Distance Direct Dial Service

The contractor is not responsible for providing long distance direct dial telephone circuits. Long distance direct dial, for purposes of this contract, is defined as any call not within the local area defined in C.2.1.20.4 and not considered international. These telephone circuits will be provided by the government using services available from the then current FTS contract. The ITS-II shall process all long distance direct dial telephone calls placed by inmates over these government provided circuits.

C.2.1.20.6 International Direct Dial Service

The contractor shall provide International direct dial telephone service at all correctional facilities where the ITS-II is installed. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II.

C.2.1.20.7 Toll Free Access

The ITS-II shall be capable of providing limited toll free access calls to inmates as configured by the BOP through contractor provided access lines

The BOP allows certain inmates the capability to place calls to designated toll free numbers for security purposes and other various reasons. The BOP does not allow inmates to place calls to personal toll free numbers or telephone service provider access numbers. Therefore, the ITS-II shall be capable of allowing BOP identified inmates to place calls to only those toll free numbers approved by the BOP, over contractor provided trunks. All other toll free numbers, including local access toll free numbers, shall be capable of being blocked. The ITS-II shall provide a report of the ITS-II accounts with toll free access numbers on their approved lists including the telephone number and a report for toll free numbers called by inmates, as requested by the BOP

C.2.1.21 Collect Call Service

The contractor shall provide the collect call services listed below through the use of an Automated Operator.

C.2.1.21.1 Rates

The contractor's rates charged to the called party for collect calls regulated by the State regulatory commission shall not exceed that regulatory commissioning body's rate cap for residential collect call rates. In those states which the State regulatory commission does not provide a rate cap for residential collect call rates, the contractor's rates charged to the called party for collect calls shall not exceed the highest residential collect call rate being charged in that state by a telephone company other than the ITS-II contractor. The contractor shall charge to the called party those rates proposed in Section B

The contractor's rates charged to the called party for collect calls regulated by the Federal Communications Commission (FCC) shall not exceed the Message Toll rates for collect long distance calls and the service charge for residential Operator Station Collect set by the inter-exchange carrier with the highest yearly domestic long distance toll revenues (currently AT&T). The contractor shall charge to the called party those rates proposed in section B.

C.2.1.21.2 Revenues

The contractor will collect all revenue from the called party for collect calls placed by inmates. The contractor shall credit the BOP on the same monthly invoice as direct dial calls an amount equal to the percent of gross billable collect call revenue for the maintenance service level chosen by the BOP. However, if the contractor's maintenance level for the month is not met and is less than that level chosen by the BOP, the contractor shall credit the BOP for the percent of gross billable collect call revenue for the lower maintenance service level actually met.

C.2.1.21.3 General Collect Call Requirements

- A Human operators shall not be used at any point during a collect call except under extraordinary circumstances and as agreed to by the BOP COTR.
- B The contractor's capability to provide human operators during extraordinary circumstances is a desired optional feature. This is a non-mandatory requirement
- C Collect calls shall not be connected nor shall billing commence until the called party indicates acceptance of the call
- D Billing for the called party shall stop when either the called or calling party hangs up.
- E The contractor shall provide all services associated with collect call services such as billing, out-clearing, and line information database (LIDB) verification. The ITS-II contractor shall assume all responsibility for billing called parties receiving ITS-II collect calls, and collecting payments for these calls.
- F The contractor shall provide a toll free number which will be clearly shown on the called party's bill for assistance in billing matters.
- G The contractor shall provide the BOP with a written copy of all collect call restrictions it imposes in managing its collect call program. The contractor shall also notify the BOP in writing of any changes to these restrictions

C.2.1.21.4 Local Collect

The contractor shall provide local collect calling service at all correctional facilities where the ITS-II is installed. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II

C.2.1.21.5 IntraLATA Collect

The contractor shall provide intraLATA collect calling service at all correctional facilities where the ITS-II is installed. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II

C.2.1.21.6 InterLATA Collect

The contractor shall provide interLATA collect calling service at all correctional facilities where ITS-II is installed. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II

C.2.1.21.7 Interstate Collect

The contractor shall provide interstate collect calling service at all correctional facilities where the ITS-II is installed. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II.

C.2.1.21.8 International Collect (Non-Mandatory)

International collect services are not a mandatory requirement for the ITS-II, although the contractor is encouraged to offer the service to as many countries as feasible. The contractor shall be responsible for installing and maintaining all telephone circuits necessary to provide this service through the ITS-II, if this service is provided.

C.2.1.22 Special Interim Collect

The contractor shall provide the capability to pre-install contractor provided collect services at all correctional facilities currently operating without an ITS.

C.2.1.22.1 The contractor shall transition the BOP sites that currently provide collect only service, as identified by Correctional Facility type "Collect" in Exhibit J-1, Correctional Facility Information, to the contractor's collect service before and until the contractor's full direct dial/collect system can be implemented, if ordered by the BOP. Once the ITS-II is fully installed, collect calls placed by inmates will be processed through the ITS-II as required by this contract.

C.2.1.22.2 The contractor shall be capable of making the necessary arrangements to change these correctional facilities current Primary Interexchange Carrier (PIC) with the LEC to the contractor's services

C.2.1.22.3 These collect services shall include screen coding and/or automated operator for inmate services and shall not allow dialed numbers to be changed at the request of an inmate or allow charge reversal, or charge diversion to another number.

C.2.1.22.4 (Non-Mandatory) The contractor may also provide similar collect services to inmates during the period of time the original ITS is being de-installed by the BOP and the ITS-II is being installed. Simultaneous de-installation of the existing ITS and installation of the new ITS-II will most likely not be possible due to limited space for two systems in the ITS room. Down time may be allowed during the actual cut-over process to allow for full system integration testing.

C.2.1.22.5 The installation of these interim collect services shall be at the discretion of the BOP COTR, as ordered by the Contracting Officer

- C.2.1.22.6 At correctional facilities where this collect service is ordered by the BOP, the contractor shall remove the existing telephone station sets and install new station sets. The new station sets shall be those which will be used when the ITS-II is fully installed.
- C.2.1.22.7 The contractor shall coordinate the installation of these collect services, at the BOP requested correctional facilities, with BOP Central Office staff.
- C.2.1.22.8 The contractor shall be responsible for providing these services to the correctional facility's communication mainframe in the communications room. The BOP will ensure cross connection to the individual inmate station sets.
- C.2.1.22.9 The interim collect call service shall only provide collect call capability and no other type of service.
- C.2.1.22.10 The interim service is not required to adhere to the controls of the full ITS-II system (i.e., calling list, time of day restrictions, identifiers, reports).
- C.2.1.22.11 The interim service shall be provided at the rates proposed for collect services in Section B of this RFP.
- C.2.1.22.12 The contractor shall pay the BOP Central Office Trust Fund each month the percent of the gross billable revenue for collect calls corresponding to the maintenance level chosen by the BOP. This payment shall be made monthly within 60 days of the last day of each month in which the calls were placed. The BOP will work with the contractor to enable an electronic transfer of funds.
- C.2.1.22.13 The contractor shall provide monthly revenue reports to the BOP Central Office Trust Fund for this interim service, summarizing, for each correctional facility, total call revenue, the amount to be paid to the BOP, the number of collect call minutes, and the total number of calls placed.

C.2.1.23 Wide Area Network

The contractor shall design and install a wide area network (WAN) as part of the ITS-II to provide connectivity among the ITS-II systems at federal correctional facilities and to support the capability for system-wide ITS-II administrative operations and functions.

- C.2.1.23.1 The contractor shall be responsible for providing and installing all ITS-II WAN equipment at each of the correctional facilities and locations covered by this contract. Contractors shall also specify Network Management Systems to be provided that support network startup, maintenance, monitoring, and operations. Contractors shall fully consider the cost of these components in their proposed rates for direct dial and collect services.

- C.2.1.23.2** The contractor shall design its ITS-II WAN configurations assuming the use of 56 kilobits per second (Kbps) transmission capacity provided through FTS-2000 Dedicated Transmission Service for ITS-II WAN connectivity. Contractors shall indicate the number of such circuits to be installed to support ITS-II functions required in this RFP, but shall not include the cost of such facilities in their rates for ITS-II direct dial or collect calling services. The government shall provide as Government Furnished Equipment (GFE) the FTS circuits to facilitate the WAN. The contractor shall provide all equipment necessary to facilitate operation of the WAN over these government provided services.
- C.2.1.23.3** The ITS-II WAN shall not have a single point of failure.
- C.2.1.23.4** The contractor shall provide capabilities to protect against network outages or loss of Network Management Systems for the WAN.
- C.2.1.23.5** After award of the contract, the contractor is encouraged to design and deploy a more efficient network design, using any FTS transmission services available to the BOP. If an optional WAN configuration is proposed after award of contract, it will be reviewed for approval by the BOP for cost effectiveness, speed, and redundant qualities. The contractor may also include switched (or other) FTS services for WAN backup in this optional design.
- C.2.1.23.6** The WAN shall be maintained and monitored by the contractor at its Central Operations Facility and shall be capable of being monitored by BOP Central Office staff.
- C.2.1.23.7** Network management for both wide area and any local area networks shall provide at a minimum the following functions:
- A** Define, maintain, and monitor the status and performance of the network configuration.
 - B** View equipment and software errors
 - C** Monitor the status of any network nodes
 - D** Monitor the performance of the workstations and main computers
 - E** Troubleshoot the network, workstations, and servers
- C.2.1.23.8** All software to support any local and wide area networks from the workstations, to the local network components, to the WAN components, shall be provided by the contractor.
- C.2.1.23.9** The ITS-II information is sensitive. Communication of information across the WAN or dial up modems shall use a method of encryption. The contractor shall use either DES or Type 1 encryption methods for data transferred via the WAN.

C.2.2 Management of Inmate Telephone Accounts

This subsection states the requirements of the ITS-II for management of inmate telephone accounts. It is divided into the following categories:

- **Inmate Account Information**
- **Inmate Access to Telephones**
- **Inmate Use of Telephones**
- **Inmate Telephone Account Financial Transactions**
- **Management of Inmate Transfers Between Correctional Facilities**
- **Reports**

All information and audit record detail shall be available for viewing and/or reporting by any authorized BOP user immediately upon completion of the transaction.

C.2.2.1 Inmate Account Information

The information required by each subsection below shall be available for viewing and data input on an individual screen for each of the following subsections. These screens shall be capable of being changed by the contractor to meet the needs of the BOP, at the request of the BOP, and at no additional cost to the BOP.

- **Inmate Profile Information**
- **Financial Transaction Information**
- **Telephone Call Information**

C.2.2.1.1 Inmate Profile Information

The following inmate profile information shall be maintained for each inmate account:

C.2.2.1.1.1 Inmate Register Number

This is an eight digit number separated by a hyphen after the first five digits assigned to each inmate by the BOP (the hyphen shall be shown on the screen only and shall not be required for input) The ITS-II shall provide the ability to change an inmate's register number through a separate menu function. All data related to the previous register number will be transferred to the new register number.

C.2.2.1.1.2 Inmate Name

The inmates' name fields shall include Last Name, First Name, Middle Name. These field lengths shall be, at a minimum, 35 characters for the last name and 15 characters each for the first and middle name.

C.2.2.1.1.3 Correctional Facility

Each correctional facility has a unique name which will be used as the automatic default for inmates assigned to that correctional facility. The BOP Central Office will assign each correctional facility with a three character designation to be used with the ITS-II. This three character designation shall not be capable of being changed by correctional facility staff. Each call record or financial transaction will be "stamped" according to the correctional facility where the transaction was performed. BOP staff shall have the capability to transfer access to inmate accounts among correctional facilities.

C.2.2.1.1.4 Living Unit

Living units are named buildings within a correctional facility to which inmates are assigned sleeping quarters. Each correctional facility uses different names for its buildings. This field does not require input at each correctional facility. This field shall be capable of being configured by the BOP for each correctional facility as a pick list for that individual correctional facility. This field shall be a minimum of 15 characters.

C.2.2.1.1.5 Comments

This field shall be used by BOP staff to input miscellaneous comments related to an individual inmate's ITS-II account and shall allow input of a minimum of 180 characters.

C.2.2.1.1.6 Language Preference

Each inmate profile shall be marked by BOP staff with the inmate's language preference of English or Spanish. Voice messages provided to the inmate shall be made using this preferred language.

C.2.2.1.1.7 Alert

Alerts may be placed on inmate accounts which shall notify the user type which enabled the alert that the account is placing a telephone call. The alert status shall only be capable of being viewed by the user level which placed the alert on the account.

C.2.2.1.1.8 Account Activation Date

This field shall be automatically generated when an inmate's ITS-II account is created. This field shall not be capable of being manually modified.

C.2.2.1.1.9 Date of Arrival

The date of arrival at a new institution shall be automatically generated in this field when an inmate's ITS-II account access is assigned to a different BOP correctional facility.

C.2.2.1.1.10 Status Code

This shall be a one character input field of zero to nine and letters A to Z, used to indicate the status of an inmate's account. Inmate accounts will automatically be assigned a status of A when an account is active. Inmate accounts will automatically be assigned a status of Z when an inmate is released.

C.2.2.1.1.11 Suspension

The ITS-II shall provide the BOP with the capability to temporarily suspend inmate ITS-II account calling privileges. Entry in this field shall require the number of days for suspension and the start date of the suspension. The system shall display the date on which the suspension becomes inactive. The system shall deny all calls placed by the inmate until the end of the suspension period at which time it will automatically enable calls for the inmate.

C.2.2.1.1.12 Telephone List

The ITS-II shall be capable of maintaining a list of telephone numbers for each individual inmate account to which an inmate will be allowed to place calls. These lists shall be capable of being maintained by BOP staff with appropriate access rights. These lists shall be capable of being printed for one or several inmates.

The ITS-II shall also be capable of maintaining a special list of telephone numbers for each institution, maintained by the BOP, to which inmates whose accounts are flagged to access these numbers, can call without the requirement of these numbers being on their personal list.

C.2.2.1.1.12.1 The ITS-II shall support a minimum list size of 30 numbers per inmate, but shall be capable of being adjusted to meet the needs of the BOP.

C.2.2.1.1.12.2 Numbers which are configured as denied, shall be kept on an inmate's list regardless of the quantity of numbers maintained for an account. These numbers, when marked as denied, shall be capable of being deleted or re-enabled only through a protected mode (system prompt to confirm requested action) by the appropriate BOP staff. These denied numbers shall not affect the number of active telephone numbers on an inmate's approved number list.

C.2.2.1.1.12.3 The amount of active numbers available on a list shall be capable of being configured as needed by the BOP, by individual inmate, correctional facility, or nationwide.

C.2.2.1.1.12.4 The amount of active numbers on a list shall be displayed and dynamically updated as numbers are being inputted. Duplicate numbers shall be immediately

identified by the system and audibly alert the ITS staff performing the input

C.2.2.1.1.12.5 The ITS-II shall provide BOP staff with the capability to enter, modify, and delete numbers for inmate Approved Number Lists.

C.2.2.1.1.12.6 Allow Calls to Numbers on Special List

The ITS-II shall provide the BOP with the capability to flag an inmate's ITS-II account to allow that account to call numbers on the BOP's Special List described above, without the need to place that number on the inmate's approved list

C.2.2.1.1.12.7 Telephone Number Information

The following information shall be available for each telephone number on an inmate's list.

C.2.2.1.1.12.7.1 Telephone Number

The telephone number an inmate wishes to call.

C.2.2.1.1.12.7.2 Comment

This field shall be used by the BOP to input items such as descriptions of the number being called and shall be a minimum of 40 characters in length.

C.2.2.1.1.12.7.3 Direct Dial/Collect/Both

This designation shall control the method by which a call to an individual number may be placed. The BOP shall be capable of setting a global default for all inmates

C.2.2.1.1.12.7.4 Do Not Record

This designation shall control whether the voice path of a call is routed to the correctional facility recorder. If a number is flagged as an attorney call on the ITS-II, when the call is placed, the voice path of the call shall be disconnected from the correctional facility recorder. Once the voice path of the call has been disconnected from the recorder, a tone shall be directed to the recorder path in lieu of the voice. The BOP shall be capable of enabling or disabling this feature. The default setting for this field shall be to record each call. This feature shall be capable of being globally enabled and disabled nationwide or by correctional facility by BOP staff with appropriate access levels

C.2.2.1.1.12.7.5 Called Party Language Preference

This setting shall be either English or Spanish. English shall be used as the default setting. This preference setting determines the language the ITS-II will use to present voice messages to the

called party. This shall be capable of being individually set for each telephone number on an inmate's list.

C.2.2.1.1.12.7.6 Allow Call

This setting shall control whether an inmate can place a call to the individual number. The default setting for this field shall be to allow calls. A telephone number on an inmate's account which is set to "Not Allow" will not affect another inmate's ability to place a call to that number. Telephone numbers which are set to "Not Allow" will not affect the amount of numbers on that inmate's approved list.

C.2.2.1.1.12.7.7 Date of Activation or Deactivation for Each Number

The date of activation or deactivation field shall be automatically updated by the ITS-II as a telephone number is input on an inmate's authorized telephone number list and as a number is deactivated from the list.

C.2.2.1.1.12.7.8 Alert

The ITS-II shall be capable of flagging individual telephone numbers for alert. If a call is placed to a telephone number which is flagged for alert, the system shall notify the user level which placed the alert on the account. Alerted telephone numbers shall only be seen by the user level which enabled the alerts. Alerts shall also be capable of being reported as described in the REPORTS section of this SOW.

C.2.2.1.1.13 Total Number of Call Minutes Remaining

The ITS-II shall have the capability to allow the BOP to configure the total amount of minutes an inmate may call per a user specified time period. The Total Number of Call Minutes Remaining field shall display the difference between the BOP-defined maximum number of call minutes for an inmate and the total number of minutes the inmate has used for the specified period of time. It is possible for the BOP defined maximum time limit to be unlimited, thereby, automatically disabling this feature. The Total Number of Call Minutes Remaining field shall be automatically updated as the inmate places calls to reflect the total number of minutes remaining for the user specified time period. The ITS-II shall automatically reset the number of call minutes remaining at the beginning of the next time period.

C.2.2.1.1.14 Collect Minutes Remaining

The ITS-II shall have the capability to allow the BOP to configure the amount of collect minutes an inmate may call per a user specified time period. The Collect Minutes Remaining field shall display the difference between the BOP-defined maximum collect calling minutes for an inmate and the total minutes for collect calls the inmate has used for the specified period of time. It is possible for the BOP defined maximum time limit to be unlimited, thereby, automatically disabling

this feature. The Collect Minutes Remaining field shall be automatically updated as the inmate places collect calls to reflect the number of collect minutes remaining for the user specified time period. The ITS-II shall automatically reset the number of collect minutes remaining at the beginning of the next time period. Minutes shall only be deducted for answered calls

C.2.2.1.1.15 Direct Dial Minutes Remaining

The ITS-II shall have the capability to allow the BOP to configure the amount of direct dial minutes an inmate may call per a user specified time period. The Direct Dial Minutes Remaining field shall display the difference between the BOP-defined maximum direct dial calling minutes for an inmate and the total number of minutes for direct dial calls the inmate has used for the specified period of time. It is possible for the BOP defined maximum time limit to be unlimited, thereby, automatically disabling this feature. The Direct Dial Minutes Remaining field shall be automatically updated as the inmate places direct dial calls. ITS-II shall automatically reset the number of direct dial minutes remaining at the beginning of the next time period. Minutes shall only be deducted for answered calls.

C.2.2.1.1.16 Total Number of Calls Remaining

The ITS-II shall have the capability to allow the BOP to configure the total number of calls an inmate may place per a specified time period. The Total Number of Calls Remaining field shall display the difference between the BOP-defined maximum number of calls for an inmate and the total number of calls the inmate has placed for the specified period of time. It is possible for the BOP defined maximum number of calls to be unlimited, thereby, automatically disabling this feature. The Total Number of Calls Remaining field shall be automatically updated as the inmate places calls to reflect the total number of calls remaining for the time period specified. The ITS-II shall automatically reset the total number of calls remaining at the beginning of the next time period. Only answered calls shall be deducted. Minutes shall only be deducted for answered calls.

C.2.2.1.1.17 Number of Collect Calls Remaining

The ITS-II shall have the capability to allow the BOP to configure the number of collect calls an inmate may place per a specified time period. The Number of Collect Calls Remaining field shall display the difference between the BOP-defined maximum number of collect calls for an inmate and the total number of collect calls the inmate has placed for the specified period of time. It is possible for the BOP defined maximum number of calls to be unlimited, thereby, automatically disabling this feature. The Number of Collect Calls Remaining field shall be automatically updated as the inmate places collect calls to reflect the number of collect calls remaining for the time period specified. Only answered calls shall be deducted.

C.2.2.1.1.18 Number of Direct Dial Calls Remaining

The ITS-II shall have the capability to allow the BOP to configure the number of direct dial calls an inmate may place per a specified time period. The Number of Direct Dial Calls Remaining field shall display the difference between the BOP-defined maximum number of direct dial calls for an inmate and the total number of direct dial calls the inmate has placed for the specified period of time. It is possible for the BOP defined maximum number of calls to be unlimited, thereby, automatically disabling this feature. The Number of Direct Dial Calls Remaining field shall be automatically updated as the inmate places direct dial calls to reflect the number of direct dial calls remaining for the time period specified. ITS-II shall automatically reset the number of direct dial calls remaining at the beginning of the next time period. Only answered calls shall be deducted.

C.2.2.1.1.19 Balance Transfers from FPPOS

The ITS-II shall be capable of allowing the BOP to enable and disable an inmate's capability to transfer funds from their Commissary accounts to their ITS-II accounts. This shall be configurable on an individual inmate basis or for a group of inmates.

C.2.2.1.1.20 Balance Inquiry Allowed

The BOP shall be capable of enabling or disabling inmate capability to request and receive ITS-II and Commissary balance inquiries over the telephone. This shall be configurable on an individual inmate basis or for a group of inmates or an entire correctional facility.

C.2.2.1.1.21 Number of Telephone Initiated Fund Transfers

The BOP shall be capable of setting the number of times an inmate is allowed to transfer funds from their Commissary account to their ITS-II account per day or per week. This shall be configurable on an individual inmate basis or for a group of inmates or an entire correctional facility. The ITS-II shall also provide a method of scheduling the time of day and day of week in which such transfers shall be allowed. This schedule shall be configurable by the BOP.

C.2.2.1.1.22 Assign Inmate to Telephone

The ITS-II shall be capable of assigning an inmate(s) account to an individual telephone or group of telephones so that the inmate(s) account may only place calls from those designated telephones. However, those telephones shall still be capable of being used by inmate accounts not specifically assigned to them.

C.2.2.1.1.23 Personal Identifier

The ITS-II shall be capable of identifying the specific inmate account that initiated each transaction made on the telephone. This identification shall be made through a unique identifier assigned to each inmate account. This feature is required for all direct dial calls but may be enabled or disabled for collect calls as required by the BOP.

C.2.2.1.1.23.1 This identifier may be a Personal Access Code (PAC), a voice recognition match, or some other method the contractor may propose which is unique and secure.

C.2.2.1.1.23.2 This identifier shall be the only means through which an inmate can access their ITS-II account unless otherwise configured by the BOP.

C.2.2.1.1.23.3 This identifier shall remain assigned to a specific inmate account regardless of transfers to other BOP correctional facilities. If a PAC method is used, the ITS-II shall provide the capability for the BOP to assign a new PAC in case of a lost or stolen PAC.

C.2.2.1.1.23.4 The ITS-II shall prevent personal identifiers from being used at multiple telephones simultaneously.

C.2.2.1.1.23.5 If the contractor uses a PAC as a personal identifier it must be:

- A a minimum of nine digits.
- B randomly generated from one nationwide pool of numbers in such a manner that any inmate may be automatically and randomly assigned any unused number from that pool.
- C capable of being printed on a secure, carbon transfer envelope which only exposes the inmate's name and register number for internal BOP distribution purposes. The contractor shall provide the carbon transfer envelopes for this purpose; and
- D capable of being viewed by BOP staff with the appropriate user level.

C.2.2.1.2 Financial Transaction Information

The ITS-II shall maintain a detailed audit record of every financial transaction made to an inmate's account and shall indicate the institution at which the transaction occurred.

Throughout the duration of a call, the ITS-II shall track time and status information about a call and terminate a call if the ITS-II account balance limits for direct dial calls is reached.

C.2.2.1.2.1 ITS-II Account Balance

The ITS-II shall maintain a separate and individual account balance for every inmate account. This account balance shall be the sum total of all ITS-II financial transactions occurring for an individual inmate account. This account balance shall be automatically updated in real time for each transaction made to an inmate's account.

C.2.2.1.2.2 Viewing Availability

Information associated with an individual inmate account shall be available for viewing by all authorized users at all times regardless of other system activities.

C.2.2.1.2.3 Immediate Update of Financial Information

All audit detail information related to inmate financial transactions shall be immediately and automatically updated for each ITS-II account so that at all times the integrity of the account balance can be verified against the financial transaction detail audit records for that account.

C.2.2.1.2.4 Transaction Types

At a minimum, the following financial transaction activity types shall be recorded as a separate line item on each inmate's ITS-II account. This information shall be available for viewing or printing as required by the appropriate BOP staff.

- A) Inmate-initiated transfer of funds from FPPOS to ITS-II.
- B) Commissary-initiated electronic transfer of funds from FPPOS to ITS-II.
- C) Direct dial calls.
- D) Manual financial transactions on ITS-II
- E) Transfer of funds from ITS-II to FPPOS.
- F) Refunds on ITS-II

C.2.2.1.2.5 Transaction Information

As applicable, each account transaction entry shall contain the following audit detail information and shall be applied to an individual inmate's ITS-II account audit detail record:

- A) Date of transaction
- B) Time of transaction
- C) Amount of transaction
- D) Individual initiating the transaction
- E) Correctional facility identifier
- F) Type of transaction
- G) User entered reference number

C.2.2.1.3 Telephone Call Record Information

C.2.2.1.3.1 Call Record Availability

All calls shall generate call records which shall be accessible and available for reporting, analysis, or viewing, immediately upon the termination of a call. Any process requiring a delay in making call records available (for example, on a daily basis or through a download process) is unacceptable

C.2.2.1.3.2 Call Record Data Structure for Direct Dial and Collect Calls

For the purposes of viewing call records, all call records shall reflect the most current record first, followed in a descending date order to the least current call record. The ITS-II shall maintain identical call record data structures or formats for direct dial and collect calls. The only acceptable differences shall be any indicators which identify calls as being either direct dial or collect.

C.2.2.1.3.3 Call Record Storage

The ITS-II, at a minimum, shall support a call record database storage capacity of the most recent 12 month period per correctional facility for queries and reports. This storage shall be for all incompleated and completed calls. It is estimated that the number of records will range from 1 million to 4 million call records, per correctional facility, depending on the size of the correctional facility for a 12 month period. Informational calls placed by inmates, such as balance requests, call minutes remaining, etc., shall not affect this call record capacity, nor shall they be stored as part of the call record database.

C.2.2.1.3.4 Calls Not Completed

The ITS-II shall record the reason for a call not being connected in the call record using English constructs. The use of notification messages in the form of codes that must be looked up to ascertain their meaning is unacceptable. Records for collect calls shall indicate if the call was refused and for what specific reason

C.2.2.1.3.5 Call Record Format

The following information shall be captured and stored for all calls attempted where a personal identifier has been used

- A) Inmate register number
- B) Inmate name
- C) Correctional facility from which call was placed
- D) Date

- E) Time.
- F) Dialed digits.
- G) Destination (city and state, or city and country for international calls).
- H) Reason for call not completed
- I) Duration from answer or acceptance.
- J) Trunk definition (FTS, local, international, etc.).
- K) Telephone location.
- L) Station set number.
- M) Charge for call.
- N) Description assigned to telephone number called.
- O) Call type (interLATA, intraLATA, local, etc.).
- P) Alert (whether an alert was issued for that call).
- Q) Type of Alert (account or telephone number).
- R) Recorder channel number.

C.2.2.2 Inmate Access to Telephones

The ITS-II shall provide features which provide the BOP with the capability to manage inmates' abilities to place telephone calls. These features, at a minimum, shall be capable of being applied by the BOP as described below and as summarized by Exhibit J-6, **Features, Feature Parameters**. The ITS-II shall provide the BOP with an easy to use method of setting and changing system parameters which can be applied to various groups of inmates or individual inmates as deemed necessary by the BOP.

C.2.2.2.1 Feature Groups

The ITS-II shall be capable of maintaining multiple groups of BOP configurable features derived from various combinations of the features listed below

C.2.2.2.1.1 The contractor shall state the number of feature groups which shall be made available for configuration. There shall be a minimum of six feature groups.

C.2.2.2.1.2 The ITS-II shall provide BOP Central Office staff the capability to assign access privileges to user levels for any individual feature, allowing those users to modify or change features for individual inmates and/or individual telephone numbers only.

C.2.2.2.1.3 A call shall be completed only if the inmate attempting to place that specific call is allowed to do so within the confines of the applicable feature group configuration.

C.2.2.2.2 Class of Service (COS)

The BOP shall be capable of configuring COS by configuring the parameters for each feature within a group. The values of these parameters are listed below in **Feature Descriptions**. These COSs shall be capable of being assigned by BOP staff with appropriate access levels to individual

inmates or groups of inmates as defined by groups of institutions, individual institutions, or living units.

C.2.2.2.2.1 The ITS-II shall be capable of providing multiple COSs for each feature group.

C.2.2.2.2.2 A COS shall be capable of being assigned as a default configuration to the following levels.

- A. Individual inmates
- B. Groups of inmates as defined in sets of living units, correctional facilities, groups of correctional facilities, or nationwide.

C.2.2.2.3 Feature Descriptions

The following features shall be made available for inclusion in each feature group as defined by the BOP. If a feature is not included in a feature group, its function shall be considered not applicable.

C.2.2.2.3.1 Inmate Access to Information

The BOP shall be capable of enabling and disabling an inmate's ability to receive account information over the telephone. Each item of information (i.e., ITS-II account balance, Commissary account balance) shall be capable of being enabled or disabled independently of the other, by the appropriate BOP staff

C.2.2.2.3.2 Require or Not Require Approved Telephone Number List

The ITS-II shall have the capability to only process calls to telephone numbers on an inmate's approved list. This shall be capable of being configured by BOP staff with appropriate access, to require or not require the use of a list for direct dial, collect, or all calls.

C.2.2.2.3.3 Calling Schedules

The ITS-II shall be capable of providing the BOP with a means of setting various calling schedules. These schedules will control when telephones cut on or off within a correctional facility or when individual inmates are allowed to place calls within the correctional facility schedule. The ITS-II shall provide the capability to configure multiple calling schedules for each day, by correctional facility and individual inmate.

C.2.2.2.3.4 Time Between Completed Calls

The ITS-II shall be capable of being configured to control the amount of time between inmate completed calls. The system shall be capable of placing this limit on direct dial, collect, or both types of calls. The BOP shall be capable of enabling or disabling this feature. This time shall be

set by minutes and shall range from 0 to 9,999.

C.2.2.2.3.5 Maximum Number of Calls

The ITS-II shall be capable of being configured for the maximum number of calls allowed per day, week, month for an individual inmate or groups of inmates or all inmates. The system shall be capable of placing this limit on direct dial, collect, or both types of calls. The BOP shall be capable of enabling or disabling this feature. This setting shall range from 0 to 999.

C.2.2.2.3.6 Maximum Number of Minutes

The ITS-II shall be capable of being configured for the maximum number of minutes of calls allowed per day, week, month for an individual inmate or groups of inmates or all inmates. The system shall be capable of placing this limit on direct dial, collect, or both types of calls. The BOP shall be capable of enabling or disabling this feature. This time shall be set by minutes and shall range from 0 to 9,999.

C.2.2.2.3.7 Call Duration

The ITS-II shall be capable of assigning a maximum call duration for each type of call, direct dial, collect or both. The BOP shall be capable of enabling or disabling this feature. This time shall be set by minutes and shall range from 0 to 99.

C.2.2.2.3.8 Extra Dialed Digits Prevention

The ITS-II shall be capable of preventing the processing of additional digits from the inmate after all call processes have been completed for an authorized call. This feature shall be capable of being enabled or disabled. It shall also be configurable for the number of extra dialed digits allowed before the call is cut off. The system shall be capable of enabling or disabling this feature for individual inmates and individual telephone numbers.

C.2.2.2.3.9 Branding Calls with a BOP Message

The ITS-II shall be capable of providing a BOP configured message to the called party at the beginning of each call for an individual inmate or groups of inmates or all inmates. The BOP shall be capable of modifying this message. The BOP shall be capable of enabling or disabling this feature.

C.2.2.2.3.10 Intermittent BOP Message

The ITS-II shall be capable of providing a BOP configured message which is heard by the called party at variable times during a call. The BOP shall be capable of modifying this message. The BOP shall be capable of enabling or disabling this feature.

C.2.2.3.11 Called Party Blocking

The ITS-II shall provide the called party through a voice prompt with a method to block all calls placed from an inmate account. Calls blocked for an inmate account using this method shall not affect other inmates wishing to call that same number. Calls blocked using this method shall be identified separately in all tables as blocked by the customer. Under no circumstances will the contractor alter or interfere with the ability of the called party to receive other collect calls originating from non-BOP correctional facilities (i.e., placing LIDB blocks).

C.2.2.3 Inmate Use of the Telephone

This subsection describes the functions which shall be available to inmates through use of the telephone.

The ITS-II shall provide inmates with information relative to their ITS-II accounts and Commissary accounts through the use of the telephone as described below.

C.2.2.3.1 ITS-II Account Balance

The ITS-II shall be capable of providing inmates with their ITS-II account balance information and cost of their last call in dollars and cents via the telephone.

C.2.2.3.2 Commissary Account Balance

The ITS-II shall provide a method by which inmates may obtain their Commissary account balance information

C.2.2.3.3 Direct Dial Minutes Remaining

The ITS-II shall provide a method by which inmates may request, and be provided, the number of direct dial minutes remaining as specified in their inmate profile

C.2.2.3.4 Number of Direct Dial Calls Remaining

The ITS-II shall provide a method by which inmates may request, and be provided, the number of direct dial calls remaining, as specified in their inmate profile

C.2.2.3.5 Collect Minutes Remaining

The ITS-II shall provide a method by which inmates may request, and be provided, the number of collect call minutes remaining as specified in their inmate profile

C.2.2.3.6 Number of Collect Calls Remaining

The ITS-II shall provide a method by which inmates may request, and be provided, the number of collect calls remaining, as specified in their inmate profile.

C.2.2.3.7 Funds Transfer to ITS-II Account

The ITS-II shall allow an inmate to transfer funds from the Commissary system to the ITS-II account via the telephone in whole dollar amounts only. This function shall require the contractor to interface directly with the Commissary FPPOS System. Please refer to Section C.2.3.4.1 for further details. Upon selection of this function, the ITS-II shall provide the inmate with account balances of both the ITS-II account and the Commissary available balance.

The ITS-II shall determine if there are funds available in an inmate's FPPOS account to transfer to the ITS-II. If there are funds available, the ITS-II shall prompt the inmate for an amount to transfer. The inmate shall enter the amount via the telephone. Once an inmate has entered an amount, the ITS-II shall provide the inmate with an opportunity to confirm the amount entered. The ITS-II shall then deduct funds from the inmate's Commissary account and add that amount of funds to the inmate ITS-II account. The ITS-II shall not allow funds to be transferred to inactive ITS-II accounts with a status code of "Z".

If there are insufficient funds available in the Commissary account, the ITS-II shall provide a message to the inmate indicating that the Commissary balance is insufficient to process the transfer request and shall terminate the transfer process.

C.2.2.3.8 Placing Calls

Due to the various locations of BOP correctional facilities throughout the country, the contractor shall propose a method by which inmates shall place calls to local long distance and international locations using a consistent dialing pattern nationwide. Due to the fact that inmates transfer to and from correctional facilities on a frequent basis, the BOP desires a dialing method which is standard for all correctional facilities. The contractor shall be responsible for informing inmates of the proper call process either through a voice message via the telephone or directions permanently affixed on each telephone. In addition, if PACs are used, dialing instructions shall be printed with the PAC Number inside the carbon envelope.

Calls shall only be processed according to the procedures set forth below.

- A As configured by the BOP, each inmate shall be required to input a personal identifier and a valid telephone number for a call to be processed. Once this information has been input, the system shall perform all required checks necessary to process the call. An inmate may place only one call to one telephone number after entry of his personal identifier.

- B. If any checks fail, the call shall be denied and a descriptive message shall be given to the inmate indicating why the call was denied
- C. If the call is processed, the inmate shall be given the appropriate call processing tones (i.e., ring, busy, SIT tones, informational messages)
- D. Prior to the ITS-II terminating a call due to expiration of time limits or exhaustion of funds, the inmate shall be informed at 60 and 30 second intervals of the impending expiration.

C.2.2.4 Voice Response and Message Capability

The ITS-II shall be capable of providing prerecorded messages to inmates and called parties. The contractor shall ensure that the ITS-II provides sufficient access to voice storage and response capability to support the voice message and inmate interaction requirements pertaining to all calling services, and to the ITS-II account management functions specified in this RFP. Under no circumstances shall an inmate with access to an ITS-II handset experience delay in placing a call or accessing their ITS-II account due to insufficient voice messaging and response resources.

C.2.2.4.1 Capability to Change Messages

The contractor shall provide the BOP with the capability to change all voice messages provided by the system.

C.2.2.4.2 Responding to Voice Prompts

The ITS-II shall be capable of accepting voice responses, and/or DTMF keypad and rotary telephone input as a means of input for answering all system provided questions or prompts from the inmate and called party.

C.2.2.4.3 Use of Voice Messaging

The ITS-II shall be capable of using the voice message capability to provide inmates information or prompt responses regarding

- A Call setup
- B Call processing
- C Reasons call could not be completed
- D Account information and transactions

C.2.2.4.4 Keypad Input

The ITS-II shall be capable of using the voice response capability or keypad input to allow inmates to:

- A. Obtain account information
- B. Perform call setup.
- C. Process a call.
- D. Perform account transactions

C.2.2.5 Inmate Telephone Account Financial Transactions

The following section provides information on the accounting processes which shall take place on the ITS-II and, where necessary, interface with the Commissary system. The flowcharts shown in Exhibits J-7 to J-12 include general descriptive information on the following account transactions and are not meant to be all inclusive, but rather to illustrate the general flow of the process.

- A. Inmate-initiated transfer of funds from the Commissary account to the ITS-II account (Exhibit J-7)
- B. BOP initiated electronic transfer of funds from the Commissary account to the ITS-II account (Exhibit J-8)
- C. Debiting the ITS-II accounts for telephone charges (Exhibit J-9)
- D. BOP initiated manual transactions made directly to the ITS-II accounts (deposits, withdrawals and exceptions) (Exhibit J-10)
- E. BOP initiated transfer of ITS-II account funds to the Commissary accounts for inmate releases (Exhibit J-11)
- F. BOP initiated call charge refunds made directly to ITS-II accounts (Exhibit J-12)

C.2.2.5.1 General Account Transaction Information

C.2.2.5.1.1 System Interfaces

The ITS-II shall be capable of interfacing with the Commissary system and manipulating all files necessary in both the Commissary system and ITS-II, to complete each transaction and ensure accountability of funds

C.2.2.5.1.2 Accountability of Transactions

All of the transactions identified above shall affect the inmate's ITS-II account. The result of these transactions (in summary) shall be recorded and reportable for the BOP Central Office account reconciliation process described in this section

C.2.2.5.1.3 Negative Balances

No transactions shall create a negative balance in an inmate's ITS-II account or Commissary account. It is incumbent upon the ITS-II to prevent such an occurrence.

C.2.2.5.1.4 Contractor Provided Flowcharts

The contractor shall provide detailed flowcharts, consistent with the requirements outlined herein, depicting how each of these transactions shall be accomplished and verified by the ITS-II

C.2.2.5.1.5 Site Specific Codes

All of the ITS-II financial transactions shall be traceable to the correctional facility that performed the transaction using site-specific codes to trace the transactions.

C.2.2.5.2 Inmate-Initiated Transfer of Funds From the Commissary Account to the ITS-II Account (Exhibit J-7)

An inmate shall be able to transfer funds from the Commissary system to the ITS-II through the ITS-II telephone set. The BOP will not allow this fund transfer during certain periods of activity on the FPPOS System. Therefore, the ITS-II shall provide the BOP with the capability to manually cut off this function on an "as needed" basis and provide the BOP with a method of creating a schedule for each individual correctional facility (i.e., after 4:00 PM)

- A The inmate shall begin the process by using the ITS-II telephone set to request an electronic transfer of funds from the inmate's Commissary account to his/her ITS-II account
- B The ITS-II will check to determine if the Commissary system is available to process the transaction. If not, the ITS-II will generate a message to the inmate stating, for example, that "the Commissary system is not available at this time."
- C If the Commissary system is available, the ITS-II will determine if their Commissary account is currently in use. If the account is in use, the ITS-II will generate a message to the inmate stating that the transaction cannot be completed at this time
- D If the Commissary account is available, the ITS-II will inform the inmate of the amount of funds available for transfer and prompt the inmate to enter a whole dollar amount for transfer. The inmate will then enter the amount, in whole dollar amounts, to be transferred. The ITS-II will then determine whether this amount is less than or equal to the Commissary account balance. If the amount of the transfer request exceeds the funds available in the Commissary account, the transaction will abort and the inmate shall receive an insufficient funds message

- E. If sufficient funds are available for the transfer amount requested, the ITS-II will deduct the funds, calculate the new Commissary account balance and insert the new balance into the Commissary system. The Commissary account for the inmate shall then be verified to ensure that the transaction has taken place correctly. All completed transactions shall be appended to a temporary file on the Commissary system as a separate record. A record is also placed in an "error" file on the Commissary system if the transaction did not occur properly. The inmate's ITS-II account shall be increased by the amount of funds deducted from the inmate's Commissary account.
- F. Completed transactions shall be capable of being printed as an Electronic Transfer Report (ETR) at the correctional facility. Upon demand, this report shall be capable of being printed on a daily basis and shall contain, at a minimum, the following information:
1. Inmate Register Number.
 2. Inmate Name.
 3. Date of Transaction.
 4. Time of Transaction.
 5. Amount of Transaction.
 6. Telephone initiating transfer.
 7. Correctional facility site code.
- G. The time period in which inmates may make a transfer shall be controlled by the BOP.

C.2.2.5.3 BOP Initiated Electronic Transfer of Funds From the Commissary Account to ITS-II Account (Exhibit J-8)

Inmates may be allowed to buy telephone credits through the correctional facility Commissary sales process. All telephone credits purchased through this method are initially recorded in the Commissary system as an ASCII file. The ITS-II shall be capable of interfacing with the Commissary system and applying this file to the proper ITS-II accounts, once initiated by the appropriate BOP staff on the ITS-II. The flowchart in Exhibit J-8 includes the process flow performed within the Commissary system, to aid the contractor in understanding how the entire process takes place. The ITS-II shall be responsible for processes within the area marked "ITS-II"

- A. During the transfer process, the ITS-II must determine whether each of the ITS-II inmate accounts is available for update and either process the transaction or print as "exceptions" those which cannot be processed on a Commissary Electronic Funds Transfer Exception (CEFTE) report. This report shall include the following information for each exception:
1. Inmate Name.
 2. Inmate Register Number
 3. Amount of Transaction
 4. Reason for rejection

- B. All exceptions must be capable of being entered in the ITS-II manually when the inmate's ITS-II account becomes available
- C. An ITS-II account will not be available if the account does not exist or if the inmate is using the account at that time and the transaction being processed will reduce the ITS-II account balance. If an account is not available, a transaction cannot be performed and the exception report described in this section shall be printed
- D. For ITS-II accounts which are available, ITS-II account balances are updated, and a Commissary Electronic Funds Transfer (CEFT) report is subsequently produced at the correctional facility initiating the funds transfer (in both summary and detail format) This report shall contain the following information:
 - 1 Inmate Name.
 - 2 Inmate Register Number.
 - 3 Date of Transaction.
 - 4 Amount of Transaction

C.2.2.5.4 Debiting ITS-II Accounts for Telephone Charges (Exhibit J-9)

The ITS-II shall be capable of debiting an inmate's ITS-II telephone account automatically and in real time as a call is taking place. The ITS-II shall not be designed to require that the total cost of a call is available prior to allowing a call to be placed. Rather, an inmate shall be capable of placing a call if the ITS-II account contains enough funds for a two minute call and the call shall be terminated when the inmate's ITS-II account balance is depleted to the point of not having enough funds to continue the call. This shall occur prior to creating a negative inmate ITS-II account balance.

- A. The process begins when an inmate initiates a direct dial call through an ITS-II telephone set. The ITS-II first uses the unique personal identifier to determine whether the inmate possesses an active ITS-II account. If not, the ITS-II generates an error message to the inmate and aborts the process.
- B. If an inmate has an active the ITS-II account, ITS-II determines whether the inmate has sufficient funds in the account to make a direct dial call.
- C. If an inmate has sufficient funds to complete at least a two minute direct dial call, the ITS-II shall allow the call to be processed.
- D. A call is first processed for administrative checks (e.g., whether the call is on that inmate's allowed call list). If any check is unsuccessful, the ITS-II shall generate a message to the inmate and abort the process. If all checks complete successfully, the call is processed.
- E. The inmate's ITS-II account is then debited in whole minute increments automatically, in real time, as the call is taking place. The ITS-II shall prevent this process from creating a

negative balance in the inmate's ITS-II account.

- F. The call record detail shall be updated, as shall the balance, on a real-time basis, and be available for viewing immediately after the call is completed.
- G. If the inmate does not have sufficient funds in their ITS-II account to process a call, the ITS-II shall generate an error message to the inmate and abort the process.
- H. There shall be no deductions made against an inmate's ITS-II account and no inmate call usage tracking measures shall be compiled if the inmate hangs up or otherwise terminates call setup prior to completion of the call to the called party.

C.2.2.5.5 BOP Initiated Manual Transactions Made Directly to the ITS-II Accounts (deposits, withdrawals and exceptions) (Exhibit J-10)

It is anticipated that there will be times when the ITS-II and the Commissary system will be unable to communicate, or for some other reason a manual transaction will be necessary. There must, therefore, be a screen for input of manual transactions.

- A. The process shall be initiated when an ITS staff member accesses the ITS-II "manual transaction" screen. Data for the manual deposit or withdrawal is then input on the screen, and the inmate's ITS-II account is updated on a real-time basis. Input fields for this function shall be:
 - 1 Inmate name
 - 2 Inmate register number
 - 3 Date of transaction (automatically generated)
 - 4 Type of transaction (defaulted from previous transaction, and selectable from a pick list)
 - 5 Amount of transaction
 - 6 Comment (not a mandatory entry)
- B. Upon pressing the enter key on the last input field of a transaction, a new transaction shall be available for input and the previous transaction information shall be printed in succession
- C. At the end of all transactions, the report will total all amounts and count the number of transactions. The Manual Transaction report shall include, at a minimum:
 - 1 Inmate register number
 - 2 Inmate name
 - 3 Date of transaction
 - 4 Type of transaction
 - 5 Amount of transaction

- 6 Total transaction amount
- 7 Total number of transactions

C.2.2.5.6 BOP Initiated Transfer of ITS-II Account Funds to the Commissary Accounts for Inmate Releases (Exhibit J-11)

An inmate release occurs when an inmate leaves the BOP system. In such a case, the BOP will transfer any remaining ITS-II account balance back to the inmate's Commissary account in time for out-processing of the inmate. An ITS-II "release input screen" shall be used for this purpose

- A. The process shall be initiated when an ITS staff member accesses the release input screen and enters information on that inmate. This creates a release/transaction input form
- B. The ITS-II shall determine whether the ITS-II account is currently in use. If so, the ITS-II shall generate a response to the ITS-II terminal that the account is in use. If not, the ITS-II shall reduce the inmate's ITS-II account to zero and mark the status field of the inmate account as "Z." This transaction shall generate an Inmate Release Transaction Report which shall include at a minimum

- 1 Inmate register number
- 2 Inmate name
- 3 Date of transaction
- 4 Type of transaction
- 5 Amount of transaction
- 6 Comment

- C. The ITS-II shall simultaneously access the Commissary system, record the transaction, and be capable of creating a file of the transactions that can be printed from the Commissary system

C.2.2.5.7 BOP Initiated Call Charge Refunds Made Directly to ITS-II Accounts (Exhibit J-12)

Certain situations occur which can cause an inmate's ITS-II account to be refunded a certain amount of funds. An ITS-II refund screen shall be used for this purpose

- A. The process shall be initiated when an ITS staff member accesses the ITS-II refund screen. The ITS staff member will enter the inmate register number, the telephone number for which the refund is being given, and the amount of minutes to be refunded. The ITS-II will then calculate the refund to be given to the inmate. A reason for the refund shall also be entered on the screen. The result of this transaction shall be an increase in the inmate's ITS-II account equal to the amount of the refund
- B. This transaction shall then generate a summary transaction report at the correctional

facilities printer. This call record refund transaction report shall include, at a minimum

1. Inmate register number
2. Inmate name.
3. Date of transaction
4. Time of transaction.
5. Type of transaction.
6. Amount of transaction.
7. Comment.
8. Telephone number called.
9. User name (automatically generated from the login).

C.2.2.5.8 BOP Central Office Account Reconciliation

At the end of each day (or as requested), a summary of all ITS-II financial transaction activities (by type) for that day shall be capable of being viewed and printed. The report shall be capable of being run by the BOP Central Office, as a summation of all correctional facilities or for individual correctional facilities as requested. In addition, a sum of all ITS-II account balances shall be provided corresponding to the type of report requested.

- A The contractor shall determine and communicate in its technical approach, whether the ITS-II will need to shut down due to this procedure. If so, the contractor will indicate the length of time that the system will need to be disabled to perform this procedure.
- B In addition to processing accounting transactions at the correctional facility level, the contractor shall provide the BOP's Central Office with the ability to balance and reconcile the ITS-II transactions for all correctional facilities against all of the ITS-II account balances as needed. Information to be included for periodic balancing are:

- 1 Previous balance (from previous report)
- 2 Electronic transfers (+/-)
 - a Inmate (-)
 - b Commissary (-)
 - c Releases (-)
 - d Subtotal of electronic transfers
- 3 Refunds (-)
 - a Local
 - b Long distance
 - c International
 - d Subtotal of refunds

4. Manual transactions (+/-)
 - a. Deposits (-)
 - b. Withdrawals (-)
 - c. Exceptions (+/-)
 - d. Subtotal of manual transactions.
5. Direct dial calls (-).
 - a. Local.
 - b. Long distance.
 - c. International.
 - d. Subtotal of direct dial calls
6. Net sum of transactions.
7. ITS-II account balances (*)

(*) The "ITS-II Account Balances" information shall be determined by acquiring the true sum of the inmate balances within the system, not a calculated sum from transaction numbers in the report. The contractor must demonstrate how this balance is derived.

- C. These reconciliation reports shall be recoverable for future use and organized with a numbered tracking system.
- D. These reconciliation reports shall receive data from the identical, exact time frames for each correctional institution included in the report (e.g., 10/1/98 to 10/31/98). They shall also be capable of reporting data since the time of the previous report and include the balances from the previous report

C.2.2.6 Management of Inmate Transfers Between Correctional Facilities

An inmate's personal identifier shall be capable of being used at all BOP correctional facilities to place collect calls immediately upon arrival at a new correctional facility, when transferred from one BOP correctional facility to another. The inmate's account, however, shall remain the responsibility of the correctional facility from which the inmate transferred until such time that staff at the new correctional facility change the inmate's correctional facility assignment. ITS-II shall provide the BOP a method of changing the site assignment of accounts when inmates transfer between correctional facilities (all call records shall be stamped from the correctional facility the call actually originated from)

- A. Upon transfer of the inmate, the inmate's ITS-II account shall remain designated at the original correctional facility until such time as staff at the receiving correctional facility change the designation.
- B. No financial transactions shall be conducted upon an inmate's account except by the correctional facility to which the inmate account is designated. If an attempt is made to perform a Commissary transfer from a phone designated at a correctional facility other

than the correctional facility the inmate account is assigned, the inmate shall be provided with a message such as, "this transaction is not authorized from this correctional facility" and cancel the transaction. If a staff member enters the register number of an inmate already created in the ITS-II but assigned to another correctional facility, the system shall inform the staff member, (example) "this account is assigned to John Doe at FCI Somewhere. Would you like to retrieve this account? Yes or No." Upon the staff member responding "yes," this account will become designated to the new site

- C. Once the account is designated by the receiving correctional facility, all subsequent account transactions made for or by that inmate shall be coded to that correctional facility for purposes of reporting, querying, and balancing.
- D. The ITS-II shall be capable of providing reports of account movement specific to correctional facilities so that correctional facility staff may determine which inmates have transferred to and from their correctional facility. These reports shall print each day at those correctional facilities that have "gained" or "lost" inmate accounts. The report shall include: inmate name, register number, and the ITS-II account balance. This report shall segregate and provide separate totals for "gained" accounts and "lost" accounts balances.
- E. The ITS-II shall also be capable of reporting personal identifiers which have been used at correctional facilities different from the correctional facility to which the inmate's account is assigned.

C.2.2.7 Queries and Reports

The BOP requires reporting and querying methods and capabilities which provide maximum flexibility, a user friendly interface, speed, efficiency, and accuracy. The contractor shall therefore make available a sophisticated information retrieval system with maximum flexibility, speed, and ease of use.

C.2.2.7.1 Queries

The ITS-II shall provide the BOP the capability to retrieve, analyze, and report ITS-II information according to its dynamic mission-defined needs

C.2.2.7.1.1 All data dealing with inmate use of the ITS-II, telephones, telephone numbers called, call types, restrictions, and all other data residing in the data base shall be accessible to BOP ITS staff, limited only by user access level, as determined by the BOP Central Office

C.2.2.7.1.2 Soring shall be able to be performed on data base queries to a minimum of five levels.

C.2.2.7.1.3 All queries shall be able to be sent to a screen and/or printer.

- C.2.2.7.1.4 All queries shall be capable of being saved for future use and available from a pick list at the access level and location from which they were created
- C.2.2.7.1.5 All queries created by Central Office ITS staff shall be capable of being saved and distributed to user levels for use from a pick list
- C.2.2.7.1.6 The contractor shall provide a screen-oriented form of data retrieval, in which BOP personnel with the proper access level shall have the following options to
 - A Pick from standard, defined queries with no modifications (from saved central list)
 - B Pick from standard, defined queries with no modifications (from saved local list)
 - C Pick from standard, defined queries with modifications (which can then be saved under another name either centrally or locally)
 - D Put together queries in a free-form manner (which can then be saved, either centrally or locally).
- C.2.2.7.1.7 The contractor shall provide all three of the following methods for the BOP to format and modify queries
 - A Direct typing of query information ("SQL-like" structure)
 - B Use of a "pick list" for fields, logical operators and relationships between/among fields
 - C English-language query creation (via utilization of a user interface in combination with the data base)
- C.2.2.7.1.8 All queries shall have a "drill-down" capability in which users are capable of using the results from one query as input to a second or third query; to a minimum of three levels. This capability shall be made available through the use of an "SQL-like" structure or an English-language user interface system
- C.2.2.7.1.9 At no time shall a BOP ITS staff member be forced to use a native data base language, such as the SQL to retrieve information, although this capability shall be made available to BOP ITS staff
- C.2.2.7.1.10 BOP correctional facility personnel shall be limited to data retrieval specifically dealing with the correctional facility to which they are associated unless specifically granted increased access by the BOP Central Office
- C.2.2.7.1.11 BOP Central Office ITS personnel shall have unlimited access to data retrieval. Central Office ITS personnel shall, therefore, have access to ITS-II data on a system-wide basis
- C.2.2.7.1.12 The contractor shall provide the maximum time the ITS-II will take on a fully

loaded database to retrieve the following screens:

- A. Any Individual Inmate Account
- B. Any Individual Inmate Call Record(s)

C.2.2.7.2 General Report Capabilities

The BOP requires an ITS-II which provides extremely flexible reporting capabilities, as well as, an easy to use interface for users to create new reports as needs arise. The ITS-II shall also provide reporting capabilities with speed and accuracy. Speed of reports is highly desired by the BOP, therefore, the ITS-II software and hardware shall be designed to maximize all report processing speeds. The contractor shall work with the BOP throughout the life of this contract to attain maximum report speeds.

- C.2.2.7.2.1 All reports shall be capable of being generated by correctional facility or combinations of correctional facilities dependant on the user level requesting the report.
- C.2.2.7.2.2 BOP Central Office staff shall have the capability to assign access to reports to various user levels. BOP Central Office staff shall also have the capability to limit a user's access to a correctional facility or combination of correctional facilities.
- C.2.2.7.2.3 The BOP shall have the ability to change the type of information presented in each report; that is, the BOP shall have the ability to custom design reports to show specific information BOP requires. Customization includes report information (content) and the information sorting sequence and presentation.
- C.2.2.7.2.4 BOP Central Office staff shall have the capability to assign reports to categories so that reports with similar functions can be grouped together under one menu item.
- C.2.2.7.2.5 The BOP requires the capability to program reports to be generated automatically. These reports shall be printed, as determined by BOP personnel, when a certain call is made, when a certain transaction with the Commissary system and/or the AIMS is made, or at a certain time of day. This capability is intended to act as a notification to BOP staff when targeted circumstances occur.
- C.2.2.7.2.6 The automatic report generation programming shall be able to be performed at each correctional facility or system-wide.
- C.2.2.7.2.7 Printed reports shall include only necessary information and pages. Blank pages shall not be inserted into reports unless a legitimate reason exists.
- C.2.2.7.2.8 The contractor shall provide rapid report searching and printing capabilities.

C.2.2.7.2.9 All reported data shall be capable of being stored on electronic media (e.g., tape, CD-ROM, or diskette)

C.2.2.7.2.10 Reports shall be capable of being created and viewed on-line at all terminals by a user with the proper access level and shall be able to be printed as determined by BOP staff.

C.2.2.7.2.11 All reports shall be capable of being recreated without the need to store the original report to electronic medium.

C.2.2.7.2.12 All printed reports shall include, at a minimum, the following basic information

- B. Time.
- C. Terminal making request.
- D. Parameters of the report.
- E. Number of pages.
- F. Report heading.
- G. End of report footer
- H. Report heading on each page
- I. Report title on each page

C.2.2.7.2.13 The header of the report must be on the same page as the beginning of the report and on each page of the report and contain the following basic information.

- A. Correctional facility name
- B. Report name
- C. Date and time of report
- D. Page number
- E. Field headings

C.2.2.7.2.14 The report footer must be on the same page as the end of the report except when normal page breaks occur and include the following:

- A. All columns containing dollar values shall total at the end of the column
- B. If the report contains inmate information, the report shall include a total count of inmates
- C. All columns containing minutes of call duration or counts of calls shall include a total of this information

C.2.2.7.2.15 The BOP shall have the capability to create groups of related information such as telephone numbers, inmate register numbers, correctional facilities, units, which can be used as input for search criteria. These groups or batches shall

be capable of being named and saved for use as search criteria input for future queries and reports.

C.2.2.7.3 Specific Reports

The ITS-II shall provide the following standard reports:

C.2.2.7.3.1 Chronological List of Calls Report

Produces a list of call records within the specific start time/date and end time/date ranges specified.

This report shall include the following information in chronological order:

- A. Inmate register number.
- B. Date of call.
- C. Time call started.
- D. Duration of call.
- E. Dialed number.
- F. Call type (local, long distance, international).
- G. Trunk.
- H. Station set number.
- I. Cost of call.
- J. Recorder channel number.

C.2.2.7.3.2 Daily Call Volume and Charge Report

Provides a daily sum of call charges, call count, and call duration for each type of direct dial and collect call

Search criteria include start date, end date, and correctional facility. The report shall be capable of reporting multiple days and multiple correctional facilities if requested.

C.2.2.7.3.3 Telephone Account Statement

This report shall be a comprehensive report of an inmate's ITS-II account transactions. It shall include collect calls. This shall be similar to a typical bank statement, having a separate line for each transaction, beginning with an account balance and shall include a running balance after each transaction. The statement shall include a beginning and ending balance. The beginning balance shall be the balance as of the requested report "from" date. The ending balance shall be the balance as of the requested report "ending" date.

This report shall provide an option to include zero dollar transactions such as collect calls.

Search criteria shall include:

- A. Inmate register number(s).
- B. Beginning date.
- C. End date.

Each line of detail on the statement shall include

- A. Date of transaction
- B. Time of transaction
- C. Transaction type (call, deposit, transfer)
- D. Correctional facility site code (where transaction occurred)
- E. Call duration (if applicable)
- F. Dialed number (if applicable)
- G. Amount
- H. Balance

The report shall be printed in order from oldest date to the most recent date.

C.2.2.7.3.4 ITS-II Accounts Transferred and Received

The ITS-II shall be capable of reporting to the BOP Central Office which accounts have been transferred for a user specified period of time. It shall also provide this report of accounts transferred and received for correctional facility ITS staff. The report shall be sorted by site then date. It shall include

- A. Inmate register number
- B. Inmate name
- C. Transferred from correctional facility site code
- D. Transferred to correctional facility site code
- E. Date of transfer
- F. ITS-II account balance at the time of transfer

- G. Total amount of transferred account balances.
- H. Total amount of received account balances.
- I. Net amount.

C.2.2.7.3.5 Frequently Dialed Numbers Report

Lists all telephone numbers meeting the user input parameters of number of times dialed within a specified time frame.

Search criteria include start date, end date, and the minimum number of times a telephone number must have been called to be included in the report.

Output shall contain information relative to each of the frequently called numbers included in the report. This includes: inmate name, register number, date, time, recorder channel number, correctional facility site code of the inmate, and shall be sorted by telephone number and chronologically according to the starting date and time of each call.

C.2.2.7.3.6 Telephone Number Usage Report

The report lists calls made to a user specified telephone number or numbers.

The search criteria is the telephone number or any wildcard combination of number and other criteria allowing the user to filter the output if necessary for completed calls, uncompleted calls, direct dial calls, collect calls, and/or user defined duration of calls.

Output lists calls to a specified telephone number (or pattern) sorted by telephone number and in chronological order. The output shall contain the following.

- A Inmate name
- B Inmate register number
- C Telephone number
- D Date of call
- E Time of call
- F Telephone used
- G Recorder channel number
- H Cost of call
- I Correctional facility site code of the inmate

C.2.2.7.3.7 Suspended Telephone Accounts Report

Lists all inmate telephone accounts whose calling privileges have been suspended either temporarily or indefinitely.

The search criteria shall be for current suspensions and/or expired suspended accounts

Output is sorted by inmate register number and date of suspension.

C.2.2.7.3.8 Approved Telephone Number Search Report

The report lists inmates who are authorized to call a specified telephone number, or multiple numbers or number pattern defined by using wildcards.

The search criterion is the telephone number (or number pattern).

Output is sorted by telephone number and by inmate register number.

C.2.2.7.3.9 Alert Notification Report

The ITS-II shall be capable of providing a report for all telephone numbers or accounts which have been placed on alert status by BOP staff

Search criteria shall include a start date and time, and an end date and time.

Output shall include in chronological order the following as applicable

- A Type of alert
- B Inmate name
- C Inmate register number
- D Telephone number
- E Date of call
- F Time of call
- G Telephone used
- H Recorder channel number
- I Cost of call

C.2.2.7.3.10 Telephone Numbers Called by More Than One Inmate

The ITS-II shall be capable of producing a detailed and/or summary report of all telephone numbers called by a user defined amount of inmates for a user defined time period, not to exceed the previous thirty days. The report output shall be grouped by telephone number and contain

- A. Inmate register number
- B. Inmate name.
- C. Date of call.
- D. Time of call.
- E. Telephone used.
- F. Recorder channel number.
- G. Cost of call.
- H. Correctional facility site code of inmate.

C.2.2.7.3.11 Telephone Numbers Listed on More Than One Telephone Account

The ITS-II shall be capable of producing a report which lists all telephone numbers which are listed on more than one inmate's telephone account. The report output shall be sorted by telephone number, then by inmate, and contain.

- A Telephone number.
- B Inmate register number
- C Inmate name
- D Date placed on list.
- E Correctional facility site code of inmate

C.2.2.7.3.12 Quantity of Calls Placed

The ITS-II shall be capable of reporting all inmates who have placed calls in excess of the parameters defined for the report by the BOP user. The user shall have the option of selecting this report for direct dial calls only, collect calls only, or both. The user shall be able to input the amount of calls within a defined time period that the report will generate output for. The report shall be capable of being printed as a detail and/or a summary. The output shall be sorted by calls in descending order and shall include

- A Number of calls
- B Inmate register number
- C Inmate name
- D Correctional facility site code of inmate

C.2.2.7.3.13 Quantity of Minutes Called

The ITS-II shall be capable of reporting all inmates who have placed in excess of a user defined number of minutes of calls within a user defined amount of time. The user shall have the option of selecting this report for direct dial calls only, collect calls only, or both. The report shall be capable of being printed as a detail or summary. The output shall be sorted by minutes in descending order and shall include

- A. Number of minutes
- B. Inmate register number.
- C. Inmate name.
- D. Correctional facility site code of inmate

C.2.2.7.3.14 Blocked Telephone Numbers

The ITS-II shall be capable of producing a report of telephone numbers blocked from calling. This shall include numbers blocked system-wide, for individual accounts, and shall indicate the reason for being blocked (i.e., blocked by staff, blocked by called party). The report output shall include

- A. Telephone Number
- B. Reason for block (comment or description)
- C. Who placed the block
- D. Register number (if blocked for individual inmate)
- E. Inmate name (if blocked for individual inmate)
- F. Correctional facility site code of inmate

C.2.2.7.3.15 Extra Dialed Digits

This report shall provide information for each call which the ITS-II detected extra dialed digits. This report shall be capable of being generated from a user defined period of time. The output shall be in chronological order and shall include

- A. Date
- B. Time
- C. Dialed number
- D. Register number
- E. Inmate name
- F. Telephone
- G. Recorder channel number
- H. Correctional facility site code of inmate

C.2.2.7.3.16 Local Exchanges

This report shall provide each correctional facility with a report of all exchanges which are designated within the local calling area for that particular correctional facility.

C.2.2.7.3.17 Percentage Grade of Blocking Report

This report shall provide information on a line by line basis for the percentage of calls blocked at specific hourly time periods for either telephones or call types (i.e., FTS Long Distance, local, international, collect local). The output shall include the number of calls attempted, the number of calls blocked, and the percentage of blocking.

Search criteria shall include start date, end date, and time interval in minutes.

C.2.2.7.4 BOP Central Office Administrative Reports

The BOP Central Office shall have the ability to create reports on a system-wide basis and for each correctional facility.

C.2.2.7.4.1 The BOP requires the ability to program reports that would be generated at predesignated times or on an ad-hoc basis.

C.2.2.7.4.2 All reports, whether site specific or ITS-II-wide, shall be accessible from any terminal at any correctional facility. Limited only by user level of person logged into terminal.

C.2.2.7.4.3 The BOP Central Office shall have the ability to query the database and generate reports from all correctional facilities or any group of correctional facilities.

C.2.2.7.4.4 The database shall allow multiple correctional facilities to query the database simultaneously

C.2.2.7.5 General Revenue Report Requirements

The ITS-II contractor shall provide revenue reports to the BOP COTR and Contracting Officer within thirty days of the close of the month being reported upon. These reports are separate from the monthly maintenance reporting process described elsewhere.

C.2.2.7.5.1 The ITS-II contractor shall provide these reports, in hard copy and/or electronic medium formats. All revenue figures shall be calculated and displayed in U.S. dollars and cents

C.2.2.7.5.2 For purposes of these reports, call types are defined as follows. Other call types

shall be added as necessary

A Direct Dial Call Types

1. Direct dial local
2. Direct dial long distance
3. Direct dial international (excluding Canada and Mexico)
4. Direct dial Canada
5. Direct dial Mexico

B. Collect Call Types

1. Collect (other than international)
2. Collect international--if provided and for countries serviced (excluding Canada and Mexico).
3. Collect Canada
4. Collect Mexico

C.2.2.7.6 Specific Monthly Revenue Reports

The contractor shall provide the BOP with the following reports.

C.2.2.7.6.1 Summary Minutes by Call Type

The contractor shall provide as part of the monthly revenue reports a Summary Minutes by Call Type report which shall include the following

- A Number of calls (by each call type)
- B Minutes of calls (by each call type)

C.2.2.7.6.1.1 Totals shall be calculated and displayed for direct dial calls, collect calls, and total calls for each correctional facility

C.2.2.7.6.1.2 Totals shall be calculated and displayed for direct dial minutes, collect minutes, and total minutes for each correctional facility

C.2.2.7.6.1.3 Totals shall be calculated and displayed for each call type, direct dial calls, collect calls, total calls, direct dial minutes, collect minutes, and total minutes across all correctional facilities and shall include sub-totals and totals for each of the categories

C.2.2.7.6.2 Monthly Distribution of Revenues

The contractor shall provide as part of the monthly revenue reports a Monthly Distribution of Revenues report. This report shall be the summation of all calls placed through ITS for the entire BOP. The following information shall be included for each call type:

- A. Totals minutes by call type for direct dial.
- B. Rate per minute due contractor by call type for direct dial.
- C. Amount due contractor by call type for direct dial.
- D. Grand totals for direct dial minutes and amount due contractor.
- E. Gross billable revenue by call type for collect calls.
- F. Percent due the BOP by call type for collect calls.
- G. Amount due BOP by call type for collect calls.
- H. Grand totals gross billable revenue and amount due BOP.

Net revenues due contractor or BOP shall be calculated and presented at the end of the report. Payments due to the BOP shall be submitted within 60 days of the end of each month in which the calls occurred

The contractor shall provide supporting documentation for the Monthly Distribution of Revenues report by providing the following information for each individual correctional facility.

- A Correctional facility name
- B Direct dial minutes by call type.
- C Rate charged to the BOP by the Contractor for direct dial calls by call type.
- D Amount due contractor for direct dial calls by call type.
- E Summary totals for direct dial calls (minutes and amount due the contractor) by correctional facility
- F Summary totals for direct dial calls (minutes and amount due the contractor) across all correctional facilities
- G Collect call minutes by call type
- H Summary of collect call minutes by correctional facility
- I Summary of collect call minutes across all correctional facilities.
- J Gross billable collect call revenue by call type
- K BOP percentage of gross billable collect call revenue by call type
- L Amount due the BOP by the Contractor for collect calls.
- M Summary totals for collect call revenues (gross billable and due the BOP) by correctional facility
- N Summary totals for collect call revenues (gross billable and due the BOP) across all correctional facilities

C.2.2.7.6.3 Monthly ITS-II Direct Dial and Collect Revenue Analysis

The contractor shall provide as part of the monthly revenue reports a Monthly ITS-II Direct Dial and Collect Revenue Analysis Report which, at a minimum, shall include.

- A. Primary sort: direct dial and collect calling.
- B. Secondary sort: by correctional facility.
- C. Tertiary sort: by month in fiscal year (beginning of October through end of September)
- D. Fields: revenue for each call type
- E. Totals: total revenue across all direct dial or collect call types per month in fiscal year
- F. Subtotals for each call type for a correctional facility across the fiscal year (to date).
- G. Grand totals of all subtotals shall be calculated and displayed.

C.2.2.7.6.4 Direct Dial Sales by Correctional Facility

The contractor shall provide as part of the monthly revenue reports a Direct Dial Sales by Correctional Facility Report which, at a minimum, shall include:

- A. Fiscal year average inmate population to date (derived from the number of inmate ITS-II accounts that have had account activity during the period).
- B. Total direct dial revenues.
- C. Annualized average total direct dial revenue per inmate.
- D. For each direct dial call type
 - 1. Revenues.
 - 2. Annualized average revenue per inmate.
 - 3. The number of active inmate accounts with no activity during the period.

Totals shall be calculated and displayed for each field

C.2.2.7.6.5 Inmate Usage

The contractor shall provide as part of the monthly revenue reports an Inmate Usage Report which, at a minimum, shall include

- A. Number of ITS accounts that have had activity during the period (inmates).
- B. Minutes per inmate per month (for each direct dial call type).
- C. Number of calls per inmate per month (for each direct dial call type).
- D. Minutes per inmate per month (across all direct dial call types).
- E. Number of calls per inmate per month (across all direct dial call types).
- F. Minutes per inmate per month (for each collect call type).
- G. Number of calls per inmate per month (for each collect call type).
- H. Minutes per inmate per month (across all collect call types).

- I. Number of calls per inmate per month (across all collect call types)
- J. Number of active inmate accounts with no activity during the period
- K. Minutes per inmate per month (across all call types)
- L. Number of calls per inmate per month (across all call types).

Totals and averages shall be calculated and displayed for each field and for both minutes and number of calls.

C.2.2.7.6.6 Cumulative Usage for Fiscal Year

The contractor shall provide as part of the monthly revenue reports a Cumulative Usage for Fiscal Year report which, at a minimum, shall include:

- A. Percentage of total call minutes (for each direct dial call type).
- B. Percentage of total call minutes (for each collect call type).
- C. Percentage of total call minutes (across all direct dial call types).
- D. Percentage of total call minutes (across all collect call types).

Totals and averages shall be calculated and displayed for each field

Note Inmate Usage and Cumulative Usage for fiscal year reports may be combined into one report

C.2.3 Administrative Requirements

This section describes BOP administrative requirements

C.2.3.1 Data Security

The ITS-II contractor shall work with the BOP to maintain control of all data within the ITS-II and all data stored on backup or archived medium. This data is considered "sensitive" and shall not be disseminated to anyone without prior approval of the COTR or as designated within this contract.

C.2.3.1.1 The minimum measures which shall be taken by the contractor to ensure this data integrity include:

- a. Degaussing or wiping of hard disk prior to being used in any other system.
- b. Degaussing or wiping of hard disk prior to being shipped to any outside vendor.
- c. Reports shall be shredded prior to disposal.
- d. Backup and archive data shall be maintained in a fireproof compartment and in an area separate from that which contains ITS-II.

C.2.3.1.2 The ITS-II shall also be protected from access via the Internet. If the contractor's proposed ITS-II solution is connected either directly or indirectly to the Internet, the contractor must provide a secure firewall protection scheme to protect the ITS-II. The contractor shall also describe this protection scheme to the BOP in its response to this SOW.

C.2.3.2 ITS-II Backup Capability

The BOP is seeking a system which can recover quickly from any failure. Due to the fact that inmate funds will be maintained on the ITS-II system, the contractor shall provide all backup and archival hardware, supplies, and recovery procedures which will ensure that no data will be lost. The following are the minimum requirements for this capability:

C.2.3.2.1 The contractor shall provide a backup and archiving facility capable of performing backups concurrently with ongoing full operation of the database with no readily apparent affect on any applications running concurrently with the backup activity.

C.2.3.2.2 The backup shall protect against loss of data or service at any BOP correctional facility for any type of system failure.

C.2.3.2.3 The contractor shall be capable of recovering all data, to the point of full system operation, using a system backup.

C.2.3.2.4 The contractor shall provide at a minimum a weekly system backup that shall be maintained at a location distinct and separate from the location of the contractor's Central Operations Facility, to be available in case of natural disasters, such as fire or flood.

C.2.3.3 Data Archiving

The ITS-II shall provide hardware and software capable of archiving all inmate data. All data older than 12 months may be archived and shall be maintained for six years. This archived data shall be capable of being viewed, queried, and reported on, by BOP Central Office staff in the same manner as the ITS-II real time operations without having to disrupt ongoing operations.

C.2.3.3.1 The ITS-II shall support a data archival capability that allows search and retrieval functions of historical inmate telephone account information.

C.2.3.3.2 The ITS-II shall support the full administrative query and reporting functions on archived data that were possible on the data at the time it was generated.

C.2.3.3.3 The ITS-II may be configured to automatically archive data from all correctional facilities that is older than 12 months. The most current 12 months of information shall be maintained in the working database.

C.2.3.3.4 Archived data shall be kept for a minimum of six years.

C.2.3.3.5 The data archival system shall have a minimum data transfer rate of 300 kilobytes per second.

C.2.3.3.6 The contractor shall provide all magnetic or other media necessary for this archiving process.

C.2.3.3.7 If any financial data is removed due to the archival process, one entry shall be placed in the financial record of each account to reflect the balance of the archived entries which have been removed.

C.2.3.4 ITS-II External Interfaces

The BOP maintains computer systems and networks with which ITS-II must be capable of interfacing.

C.2.3.4.1 Federal Prison Point of Sale (FPPOS) System

The BOP provides inmates with an opportunity to purchase Commissary items which are approved by the Warden at each correctional facility which are not otherwise provided within the correctional facility. Correctional facility Commissaries provide these items to inmates under a

controlled environment. Inmates provide their requests for Commissary items to BOP staff. The requested items are sold to inmates and the funds are deducted from the inmates' Commissary account.

The FPPOS System is the accounting and inventory software package used to maintain inmate Commissary accounts and Commissary inventory. The FPPOS System provides BOP staff with automated Commissary sales to inmates through the use of UPC scanning equipment and sales receipt printers. FPPOS Commissary accounts are the source of credits for debit accounts in the ITS-II. The FPPOS System and ITS-II must interact to exchange accurate credit information between systems.

FPPOS System is not a centralized system and is deployed and operated as independent LANs at each correctional facility. The contractor's ITS-II solution shall be required to interface with each of the FPPOS Systems in operation at BOP correctional facilities served by the ITS-II. The contractor shall configure the FPPOS/ITS-II interface to be implemented locally; the contractor shall not configure a single point of interface to all FPPOS Systems.

The FPPOS System currently operates on a Novell Network Version 3.12 LAN based system, using DOS Version 5.1. The program software is written in COBOL programming language utilizing a file based Novell program for record management called Btrieve. The FPPOS System currently generates 18 data files in both Btrieve and ASCII format. The ITS-II shall interface with the FPPOS System by accessing these files directly. In no case will the contractor be required to create or modify FPPOS application software. The ITS-II shall support the following capabilities for the FPPOS interface

- A The ITS-II shall physically connect to the LAN supporting FPPOS and provide all necessary software and hardware to facilitate this connection
- B BOP Central Office staff shall be capable of accessing all FPPOS LANs through the ITS-II WAN
- C The ITS-II shall be capable of accessing the FPPOS file systems as a NetWare user.
- D The ITS-II shall be capable of the following operations on Btrieve files: open, close, read, edit records, delete records, create records
- E The ITS-II shall not corrupt FPPOS files in the event of ITS-II failure.

C.2.3.4.1.1 Multiple FPPOS Systems at BOP Facilities

The contractor is advised there may be configurations for which a single ITS-II configuration shall be required to logically and physically interconnect to more than one FPPOS system. This configuration is most likely to be found at FCCs where the contractor may choose to deploy a single ITS-II as a solution to the requirements, with multiple FPPOS systems installed at each of

the independent correctional facilities within the FCC.

C.2.3.4.1.2 FPPOS Transactions

The contractor shall configure the ITS-II hardware and software to interface with FPPOS files to perform the functions required of this SOW. The following transactions are to be implemented in this interface.

- A. Inmate-initiated transfer of funds from their Commissary account to their ITS-II account (requires modification of existing FPPOS Btrieve data files).
- B. BOP initiated electronic transfer of funds from the Commissary account to the ITS-II account (requires transfer of an existing FPPOS ASCII-format data file to ITS-II).
- C. BOP initiated transfer of ITS-II account funds to the Commissary account for inmate releases (requires modification of existing FPPOS Btrieve data files).
- D. Inmate Commissary account balance inquiries (requires reading existing FPPOS Btrieve data files).

C.2.3.4.1.3 Access to FPPOS Application and Files

Subsequent to contract award, the contractor will be provided FPPOS program and data files and shall work with BOP Central Office staff to design and implement the software required. The contractor shall write the necessary programs and make the necessary software modifications to perform the ITS-II/ FPPOS financial transactions described elsewhere in this SOW.

C.2.3.4.1.4 Future FPPOS/ITS-II Interface Deployment

Other modifications to the FPPOS/ITS-II System and interface may be necessary over the course of the contract life. These modifications will be made through task orders issued by the BOP Contracting Officer.

C.2.3.4.2 Institution Voice Recorder

The BOP records inmate conversations using recording equipment which is physically located in the investigations office at each institution. This recording equipment is provided by the government. The voice recording equipment records a separate inmate conversation on a single recorder channel. A channel number is assigned to each inmate telephone within the correctional facility. The ITS-II shall provide an input field for the recorder channel numbers which will be used by the ITS-II automatically on reports and other data display elements as required in this SOW. The ITS-II shall provide an analog voice path to the correctional facility recording equipment.

C.2.3.4.3 Automated Intelligence Management System

The ITS-II shall provide data to the BOP SIS AIMS at each individual site

C.2.3.4.3.1 The ITS-II shall physically connect to the AIMS via a serial port and provide a method by which call record information can be downloaded from the ITS-II to the AIMS. The SIS offices are typically located several hundred feet from the ITS-II office. Therefore, short-haul modems may be required for this transmission of data

C.2.3.4.3.2 The data to be transferred shall be call record data available on the ITS-II for a specific correctional facility and shall be capable of being transferred at any requested time by an SIS staff at that correctional facility. The contractor shall provide SIS staff at the correctional facility the capability to request this transfer of data from within the office at the site which contains the AIMS computer. The following data shall be provided for this transfer:

- A. Inmate register number.
- B. Date of call.
- C. Time call was initiated
- D. Duration of call.
- E. Telephone number dialed
- F. Station set number
- G. Recorder channel number

C.2.3.4.3.3 This information shall be capable of being requested for a user defined time and date and shall be output in chronological order for the period requested. The data transfer rate shall be a minimum of 300 Kbps.

C.2.3.4.3.4 Other modifications to the interface may be necessary over the course of the contract life through the issuance of a task order

C.2.3.4.4 Financial Management Information System (FMIS)

The BOP is currently migrating to a new accounting system, FMIS. FMIS is the BOP's official accounting system and is a completely separate system from the FPPOS System. Once this migration is complete, some interface with the ITS-II may be necessary. The contractor may be requested, through a task order, to work with the BOP at a later date to interface with this system

C.2.3.4.5 BOP LAN/WAN

The BOP currently operates a LAN (which is separate from the FPPOS LAN) at each correctional facility which is connected nation-wide through a WAN. The contractor may be

requested, through a task order, to work with the BOP at a later date to interface with this system.

C.2.3.5 Access Control

The ITS-II shall provide a secure, multilevel database access control configuration with a minimum of six definable user levels.

- C.2.3.5.1** The ITS-II access software shall allow creation of access levels and assignment of multiple users to those access levels. The BOP Central Office shall be the highest access level and shall be capable of creating the lower levels of access.
- C.2.3.5.2** The ITS-II shall provide the BOP Central Office access level the capability to assign specific menu functionality on an individual basis to each lower access level. This functionality shall include but is not limited to the assignment of report capabilities, menu functions, data input capability, query capability, screen view capability, menu functionality assignment, and other system administrative functions.
- C.2.3.5.3** Database access shall be provided in a hierarchical fashion, beginning with the Central Office level for BOP Central Office personnel. Access shall then be defined by Central Office personnel for the lower levels. Other levels may be created throughout the term of the contract.
- C.2.3.5.4** The ITS-II software shall provide an easy-to-use logon procedure that requires the user to enter an identification and a password. BOP Central Office staff shall create the Trust Fund Supervisor user at all correctional facilities. The Trust Fund Supervisor shall have the capability to create users for all other access levels at that correctional facility.
- C.2.3.5.5** Once a user has been created, it will require a password for access to the system at that user level. The following type of password system is required for the ITS-II environment:
 - A** Length range 4-8
 - B** Composition Uppercase letters (A-Z), lowercase letters (a-z), and digits (0-9).
 - C** Lifetime 6 months (with an automated prompt for the user to change when necessary)
 - D** Ownership individual
 - E** Storage encrypted passwords
 - F** Entry non-printing keyboard and masked-printing keyboard.
 - G** Transmission cleartext
- C.2.3.5.6** The Trust Fund Supervisor shall have control over all users and passwords within the assigned correctional facility.

- C.2.3.5.7 System software shall allow the BOP Central Office to configure the system to allow either multiple or single instance logons for BOP user accounts
- C.2.3.5.8 Passwords used for authentication must comply with the requirements of Federal Information Processing Standards Publication (FIPS PUB) 112, Password Usage, or its successor.
- C.2.3.5.9 The Contractor's staff with a need to access the ITS-II database shall each be provided a separate and unique ID and password with identical requirements as those for BOP staff. This ID and password shall allow BOP staff the capability to monitor and control contractor staff access to BOP data.
- C.2.3.5.10 Remote terminals and network workstations shall be identified to the system, preferably through a hardware-generated identifier such as the network interface card node address or controller port address.
- C.2.3.5.11 Communication links which utilize public networks shall be protected. All necessary security functions shall be enabled to protect sensitive information while it is being processed or transferred
- C.2.3.5.12 All users shall be given notice during logon indicating that by "signing on" to the ITS-II they consent to monitoring of their activities. This shall be done through an appropriately worded "sign-on" screen described as a banner, which shall include the following wording
- "WARNING! By accessing and using this computer system you are consenting to system monitoring for law enforcement purposes. Unauthorized use of, or access to, this computer system may subject you to criminal prosecution and penalties."**
- C.2.3.5.13 The contractor shall provide a method for tracking activities and transactions conducted on the ITS-II at the user level. This audit trail shall include, at a minimum, failed access attempts
- C.2.3.5.14 Automatic archiving of the log files shall be accomplished without requiring manual intervention or degradation to the use of the ITS-II
- C.2.3.5.15 The audit trail log file shall be able to be searched using English language-type search criteria, and printed on demand
- C.2.3.5.16 BOP Central Office staff shall have the capability to assign access to multiple correctional facilities to the Trust Fund Supervisor at another correctional facility. This capability is predominantly necessary for use in BOP complex's where one

group of ITS staff are responsible for several correctional facilities, and other users are responsible for only individual correctional facilities within that complex. The Trust Fund Supervisor shall then be able to assign this same multiple access or some limited form to lower level users

C.2.3.5.17 Users with access to multiple correctional facilities shall be capable of performing functions and running reports on those correctional facilities or any combination of those correctional facilities

C.2.3.6 Fraud Detection

The ITS-II shall provide features and reports which allow the BOP to maximize its efforts to detect and prevent fraudulent, illicit, or unauthorized activity attempted by inmates through the use of the ITS-II against either the Trust Fund or the public. The contractor may propose reports and features in addition to those requested in this SOW which it believes will contribute to identifying fraudulent, illicit, or unauthorized activity.

C.2.3.6.1 Contractor Proposed Fraud Detection Features (Non-Mandatory)

C.2.3.6.1.1 Each proposed detection feature shall allow the BOP the option of:

- A Enabling or disabling the feature
- B Reporting or not reporting detected activity.
- C Enabling or disabling real time notification of detected activity.
- D Terminating or not terminating ongoing telephone calls.

C.2.3.6.1.2 As part of the technical approach of the proposal, the contractor shall list and fully describe all its detection and prevention capabilities related to fraudulent, illicit, or unauthorized activity, on the proposed system

C.2.3.6.1.3 The contractor shall identify specific activities the proposed capabilities shall detect and/or prevent. The contractor shall also identify possible methods inmates may use to circumvent these capabilities

C.2.3.6.2 BOP Requested Fraud Detection Capabilities

The BOP desires the following capabilities within the ITS-II to detect fraudulent or illicit activity. Some of the following features are identified as non-mandatory requirements.

C.2.3.6.2.1 Extra Dialed Digits

The ITS-II shall be capable of detecting extra dialed digits from either the called party or the calling party's telephone

C.2.3.6.2.1.1 The ITS-II shall be capable of automatically terminating or reporting, as

configured by the BOP, the call if the number of extra dialed digits detected by the system is equal to or greater than the number of digits configured by the BOP.

C.2.3.6.2.1.2 The ITS-II shall be capable of providing a report of all calls which the ITS-II detected with extra dialed digits. This report will provide the BOP with information needed to locate the detected attempt on a recording. See Section C.2.2.6.3.15 for the report requirements.

C.2.3.6.2.2 Unusual or Suspicious Dialing (Non-Mandatory)

The BOP is requesting a means of detecting unusual or suspicious number sequences dialed or dialing patterns which the system identifies as possible attempts to commit fraud. Contractors who provide this type of detection shall provide the BOP with a list of the types of activities they detect and how this information will be reported.

C.2.3.6.2.3 Third Party Calls to Correctional Facilities (Non-Mandatory)

The BOP is requesting a non-mandatory capability of detecting calls which have been connected to other BOP correctional facilities through a third party method. This capability may be accomplished through inaudible signal passing and detection from each correctional facility. This feature should also be capable of identifying the specific correctional facilities, the inmate's register numbers, as well as, print a daily report of such occurrences.

C.2.3.6.2.4 Detection of Three Way Calls and Call Forwarding

ITS-II shall be capable of detecting three way calls and/or call forwarding. The contractor shall explain in detail the type of three way calling or call forwarding their system is capable of detecting. The contractor shall, at a minimum, indicate whether their proposed ITS-II is capable of detecting each of the following types of three way or forwarded calls.

- A Calls to telephone numbers which have been automatically forwarded to another telephone number by the local telephone company
- B Calls to telephone numbers which have been automatically forwarded by called parties through the use of feature groups provided by the local telephone company
- C Calls to telephone numbers which "hook flash," dial another number and complete the three way call
- D Calls to "follow me" numbers
- E Conference calls facilitated through customer provided switching equipment

If a contractor's system is capable of detecting three way calls and/or call forwarding it shall be capable of being configured by the BOP to either automatically terminate suspected calls, report the suspected calls, or both

C.2.3.7 Display of Calls in Progress

Certain BOP staff, as designated by the BOP Central Office, shall have real-time access (via a display) to information on all calls in progress. This feature will give BOP staff with the proper access level the capability to see, real time, the following information at a minimum on all telephone calls currently in progress.

- A. Inmate register number.
- B. Inmate name.
- C. Telephone number called.
- D. Called party information.
- E. Any association with a silent monitor number.
- F. Recorder channel number.
- G. Duration of call.
- H. Charge of call.
- I. Correctional facility account assigned to.
- J. Location of telephone.
- K. Type of call.
- L. Call denial reason.

C.2.3.8 Call Cutoff Capability

The ITS-II shall provide the BOP with the capability to immediately and remotely turn telephones on and off. This shall be capable of being accomplished by individual telephones, groups of telephones, or an entire correctional facility by BOP staff with the appropriate access level.

C.2.3.9 BOP Number Blocking

The ITS-II shall provide the BOP with the capability to input telephone numbers which shall be automatically blocked from being called by inmates. Telephone numbers shall be capable of being blocked as an individual number or as a block or range of numbers (e.g., 800-000 to 800-540). The ITS-II shall provide the capability for BOP staff to produce a report of all numbers which have been blocked in the database, the reason for their being blocked, and where appropriate the inmate account for which they are blocked. The ITS-II shall allow BOP staff with appropriate access the ability to block and remove number blocks for either an individual correctional facility or all correctional facilities. Calls to telephone numbers which have been blocked in this manner will not be allowed by the ITS-II.

C.2.4 System Requirements

The following section describes the specific system requirements of the ITS-II, consisting of correctional facility requirements, Central Office requirements, and general hardware and software requirements.

C.2.4.1 General System Requirements

- C.2.4.1.1** The contractor shall not use physical items such as smart cards or magnetic swipe cards as means of storing ITS-II account information or balances or accessing the telephone.
- C.2.4.1.2** The ITS-II shall incorporate remote system alarms which automatically alert contractor staff to real or potential system and/or service problems to reduce down time.
- C.2.4.1.3** The contractor shall provide on-line recovery of the database during a failure, which allows the system to continue to operate while a failed portion is recovered. This may be accomplished by the use of a Redundant Array of Independent Disks (RAID).

C.2.4.2 Wiring and Cabling

The BOP maintains a demarcation point in the correctional facility communication room. For ease of access, the demarcation point for inmate telephones is extended by the BOP to the ITS-II room. The contractor shall provide all wiring and cabling in accordance with the following:

- A** When allowed by the LEC, the contractor shall have all services terminated in the ITS-II room. If this is not possible, services shall be terminated in the BOP communication room and extended by the BOP to the ITS-II room. In any case, no ITS-II system equipment shall be installed in the BOP communication room unless specifically agreed to by the BOP COTR or designee.
- B** The contractor shall be responsible for providing all cabling necessary to bring the required services of this contract to the demarcation or extended demarcation point in the correctional facility. The BOP shall provide wiring and cabling to the ITS-II room for installation of all FTS services.
- C** The contractor shall provide all wiring and cabling necessary to connect their equipment to the service blocks in the ITS-II room. The contractor shall also provide all wiring and cabling necessary to connect their equipment to the BOP provided blocks for internal wiring in the ITS-II room.

- D. All ITS-II wiring and cabling infrastructures shall meet current industry standards and commercially accepted practices. All ITS-II wiring and cabling shall be concealed from plain view.

C.2.4.2.1 Contractor Use of BOP Provided Wiring

The BOP will provide all internal wiring from the demarcation block in the ITS-II room to the following areas outside the ITS-II room using Category III wiring.

- A. All telephones.
- B. All towers.
- C. All workstations.
- D. Correctional facility recording equipment.
- E. All monitoring equipment.
- F. Satellite camps.
- G. BOP communication room.

C.2.4.2.1.1 The ITS-II shall be capable of providing all data and voice services over this BOP provided Category III wiring.

C.2.4.2.1.2 The contractor shall provide all signal amplification equipment necessary to send and receive signals across BOP provided wiring.

C.2.4.3 Environmental Requirements

This subsection describes the environmental factors which may affect operation of the ITS-II. These factors consist of power requirements, UPS needs, HVAC, physical space requirements, and physical security requirements associated with ITS-II equipment.

C.2.4.3.1 Power Requirements

The contractor shall provide the BOP with a written description of the power requirements associated with ITS-II hardware components. The contractor shall clearly delineate what power is required to operate each hardware component at each correctional facility. The contractor is advised that the BOP performs tests of its backup generators at least once per month. During this testing the power will be temporarily disabled throughout the correctional facility including the ITS-II room.

C.2.4.3.2 Uninterruptible Power Source

The contractor shall provide a sufficient number of uninterruptible power supply (UPS) systems that also have surge protection and line conditioning at each correctional facility and the ITS-II location, capable of supporting all key ITS-II system components for a minimum of twenty minutes to allow error free system shutdown of telephone call processing equipment and all ITS-

II workstations

C.2.4.3.2.1 The contractor shall be responsible for providing, installing, and maintaining all ITS-II UPS system equipment at each of the correctional facilities and locations covered by this contract.

C.2.4.3.3 Heating, Ventilation and Air Conditioning

The ITS-II shall be capable of operating in an environment which is sixty to ninety degrees Fahrenheit, and a non-condensing forty to ninety percent humidity.

C.2.4.4 Physical Space Requirements

The contractor shall provide the BOP with a written description of the space requirements associated with the ITS-II hardware components. The contractor shall clearly delineate how much physical space is required by each hardware component, and the contractor shall provide a recommended equipment layout configuration. Due to limited space available in BOP correctional facilities, a smaller rather than larger space requirement is desired.

C.2.4.5 System Capacities

The contractor shall provide system capacities/limits for the system they are proposing. At a minimum, specific capacities for the following areas shall be provided.

- A Individual inmate accounts
- B Call Records
- C Simultaneous users (administrative, not telephone)
 - 1 Nation-wide
 - 2 Correctional Facility
- D Workstations
 - 1 Nation-wide
 - 2 Correctional Facility
- E Silent monitors (shall include all necessary equipment for this purpose)
- F Simultaneous users of silent monitor equipment
- G Telephones
 - 1 Nation-wide
 - 2 Correctional Facility
- H Line card or CO port (contractor shall provide the various combinations available).
- I Telephone calls
 - 1 Nation-wide
 - 2 Correctional Facility

C.2.4.6 Hardware

This section describes the general requirements for the ITS-II hardware. Specific hardware solutions are the choice of the contractor, which should be fully defined in the contractor's proposal. Offerors shall indicate if the proposed equipment is new or used.

C.2.4.6.1 Documentation of Hardware Engineering

The contractor shall provide engineering specifications for all major hardware components used to meet the requirements of this contract. This shall include all switching, computer telephone integration (CTI), interactive voice response (IVR), workstations, and WAN/LAN equipment. These engineering specifications shall provide an explanation of each component's capability to adequately perform the requirements of this SOW. Any future changes to the hardware or a component's configuration must also be documented and provided to the BOP.

C.2.4.6.2 Switching Equipment

The contractor shall be responsible for providing and installing all of the ITS-II switching equipment necessary to perform the requirements of this contract.

C.2.4.6.2.1 The ITS-II switching equipment shall provide an interface with the public telephone network and the FTS-2000/Post FTS-2000 network.

C.2.4.6.2.2 All of the ITS-II switching equipment shall be compatible with all other ITS-II components including the telephone set equipment, IVR equipment, CTI equipment, and call monitoring equipment.

C.2.4.7 Software

This section describes the general software requirements of this contract.

C.2.4.7.1 Software Documentation

Software documentation shall be provided by the contractor.

C.2.4.7.1.1 Software design and documentation shall conform to current established engineering standards and shall be provided to the BOP as requested.

C.2.4.7.1.2 The contractor shall provide information on the personnel who developed the ITS-II software and the companies involved in developing the ITS-II software, including partnerships with other companies, qualifications, background, number of employees, and relationship to the prime contractor.

C.2.4.7.1.3 The BOP shall be provided all software licenses necessary to legally operate the ITS-II.

C.2.4.7.1.4 All electronic data used or created in the ITS-II, including call records database, archived data, and reports and study results shall remain the property of the BOP

C.2.4.7.2 Software Features

Several general features shall be provided with the ITS-II software.

C.2.4.7.2.1 All software shall provide easily accessed on-line help utilizing help menus from each screen.

C.2.4.7.2.2 The system shall provide a "print screen" capability that allows the BOP operator to immediately obtain a hard copy of displayed information. In addition, the BOP operator shall have the capability to scroll and lock information on the terminal screen. Scrolling through screen views of reports shall be capable of being accomplished through the use of keyboard arrow keys. Page up and page down keys shall be capable of being used to move between pages of screen reports.

C.2.4.7.2.3 The ITS-II shall provide a menu feature that allows the operator to cancel any individual or all print jobs in progress

C.2.4.7.2.4 The software shall use graphical user interfaces and menu-based command structures comparable to a Microsoft Windows environment

C.2.4.7.2.5 Function keys shall be programmed to operate similarly and consistently throughout the ITS-II system (e.g., F1 is "help" for all screens, F2 is "print" for all screens)

C.2.4.7.2.6 Hidden menus to swap from one screen to another without exiting from the current account shall be provided

C.2.4.7.2.7 The system shall use Point and Click technology

C.2.4.7.2.8 Tab keys shall be capable of being used to move between fields on screens

C.2.4.7.2.9 The keyboard escape key shall be capable of being used to escape from any screen, print job, or data commit, without an adverse effect on the system

C.2.4.7.3 Software Changes and Updates

Following award of the contract and through the installation of the second correctional facility, the contractor shall make changes and adjustments to the software as detailed in Section H of this RFP at no additional cost to the BOP

C.2.4.7.3.1 Software updates for "bugs" shall be scheduled for implementation twice per year, in coordination with the BOP COTR. Additional updates may be made as necessary for corrective actions in coordination with the BOP COTR.

C.2.4.7.3.2 All software updates proposed by the contractor shall be fully documented and tested. The BOP shall have the right to observe and participate in this testing process. Documentation of software updates and testing must be provided to the BOP COTR.

C.2.4.7.3.3 Implementation of software updates, Beta testing, and scheduling of implementations must be approved by the BOP COTR.

C.2.4.7.3.4 The ITS-II shall be designed to provide implementation of software changes and updates at individual sites, such that all other sites continue running on the existing software until the changes or updates are fully tested and approved at the Beta sites

C.2.4.7.4 Operating System Software

In order for the ITS-II to be flexible in its expansion and integration capabilities, the operating system architecture shall be based on a multitasking open system concept, using widely accepted standards of hardware and software interfaces, distributed architecture, networking and platform-independent software

C.2.4.7.4.1 The ITS-II shall be configured so that new applications can be added to existing processors or so that existing applications can be moved to a different processor and be fully compatible with the hardware and software environment.

C.2.4.7.4.2 Time of Day and Date Changes

The ITS-II shall maintain consistent and accurate time and date stamping, consistent nationwide for all ITS-II sites

C.2.4.7.4.2.1 The accurate date and time of day shall be distributed to all workstations' processors using or displaying the date and time of day.

C.2.4.7.4.2.2 Software shall be capable of automatically adjusting for daylight savings time changes, standard time changes, and dates in the year 2000 and beyond. The contractor is advised that some correctional facilities operate in areas which do not recognize or change times for daylight savings.

C.2.4.7.4.2.3 Time of day and date changes shall be capable of being accomplished without causing interruption to system operations

C.2.4.7.5 Telephone Call Switching Control Software

Switching control software shall be a programmable, flexible telephone control software package that manages the switching of inmate telephone calls from the correctional facility. Offerors shall indicate in their proposal how changes are made to this switching control software and the degree of difficulty involved in making changes or improvements to the existing control processes.

C.2.4.7.5.1 The ITS-II is an outgoing calling system only and switching control software shall, therefore, not connect an incoming call to an ITS-II telephone.

C.2.4.7.5.2 All switching software shall be compatible and function efficiently with the interfaces between the telephone system and the carrier services, the ITS-II computer software, the automated messaging function, and the computer-telephony function.

C.2.4.7.5.3 Switching system control shall interface with FTS-2000/Post FTS-2000 service, the local exchange carrier service, and the international carrier service to direct the collect and direct dial calls over the proper trunks.

C.2.4.7.5.4 Switching software shall interface with the ITS-II software to allow or disallow a telephone call based on criteria determined by the ITS-II software, to maintain a real-time record of call in process, and to update the inmate call records.

C.2.4.7.5.5 Switching software shall interface with the automated voice response system to provide account information to the inmate.

C.2.4.7.5.6 Switching software shall interface with the computer-telephony application providing the connectivity access and protocol conversions required for call processing applications.

C.2.4.7.5.7 Control switching software shall also provide and be capable of printing, standard traffic measurement and standard telephone call accounting information. This information shall be accessible to BOP ITS staff both on-line and in a report format.

C.2.4.8 Correctional Facility Requirements

The equipment required for the ITS-II installation at each correctional facility is described in this section. See Exhibit J-13, Contractor Wiring Responsibilities.

C.2.4.8.1 Station Sets

The contractor shall be responsible for providing and installing all the ITS-II inmate station set equipment at each of the correctional facilities and locations covered by this contract. These telephone sets will be used by inmates to place calls via the ITS-II. Exhibit J-1, Correctional Facility Information, presents the number of station sets currently installed at each correctional

facility and location. The contractor shall be responsible for all modifications to existing enclosures, necessary to mount the proposed station set.

C.2.4.8.1.1 Quantity of Station Sets

C.2.4.8.1.1.1 The ITS-II contractor shall initially provide inmates with a nation-wide average ratio of 20:1 inmates to station sets across all correctional facilities. Some correctional facilities may require more station sets and some may require less.

C.2.4.8.1.1.2 The contractor shall be required to install additional station sets over the life of the contract because the inmate population is projected to increase during the next ten years. However, the nation-wide average 20:1 ratio is expected to be maintained.

C.2.4.8.1.2 Station Set Features

The majority of the ITS-II station sets installed shall predominantly be permanently mounted wall phones with a heavy-gauge steel case, heavy-duty metal keypad, bonded handset, steel reinforced, and metal-wrapped cord.

A limited number of movable telephone sets shall be required at each correctional facility.

The contractor shall also provide "all-weather" telephones to be used as required by the BOP. It is estimated that there will be approximately 100 "all-weather" telephones needed throughout the BOP.

C.2.4.8.1.2.1 The contractor shall be responsible for installing the station sets at BOP defined locations and making any modifications to existing enclosures necessary to mount the proposed station set.

C.2.4.8.1.2.2 The contractor is responsible for the proper operating condition of all the ITS-II telephones.

C.2.4.8.1.2.3 All of the ITS-II station sets shall be dual-tone multifrequency (DTMF) compatible.

C.2.4.8.1.2.4 Station sets installed at correctional facilities shall not be programmable for any purpose.

C.2.4.8.1.2.5 Station sets shall not be capable of being used to program any feature of the ITS-II.

C.2.4.8.1.2.6 Station sets shall not contain card reader capabilities used to identify inmate telephone accounts or for the purpose of debiting inmate telephone accounts.

- C.2.4.8.1.2.7 The contractor shall provide a unique number, physically imprinted on each station set at a correctional facility so that the number can be seen by BOP staff for the purpose of reporting troubles and troubleshooting problems. As telephones necessitate replacement, they shall be renumbered by the contractor. As new telephones are added they shall be identified in the same manner and all appropriate paper work shall be updated to reflect the addition.
- C.2.4.8.1.2.8 Station sets shall be capable of reducing background noise through the use of confidencers or directional microphones in the handset.
- C.2.4.8.1.2.9 All of the ITS-II station sets shall provide volume controls which allow inmates to amplify the called party's voice.
- C.2.4.8.1.2.10 The contractor shall provide dialing instructions in English and Spanish on each telephone in a manner which reduces the possibility of being destroyed. The contractor shall maintain these instructions for legibility and accuracy.

C.2.4.8.1.3 American Disabilities Act Compliance Requirements

All of the ITS-II station sets shall be capable of being ADA compliant. Due to security concerns, the BOP shall be capable of requiring the contractor to modify certain features on station sets such as cord length and mounting height. The ITS-II TDD equipment will be protected and secured by the BOP when not in use.

- C.2.4.8.1.3.1 All of the ITS-II station sets shall be compatible with telecommunication devices for the deaf (TDD) equipment.
- C.2.4.8.1.3.2 The contractor shall be responsible for providing a single TDD device for the ITS-II at each BOP location.
- C.2.4.8.1.3.3 The ITS-II TDD equipment shall be portable, such that it can be used with any ITS-II station set at a correctional facility.
- C.2.4.8.1.3.4 The ITS-II TDD equipment shall allow inmates to communicate via keyboard entry.
- C.2.4.8.1.3.5 The ITS-II TDD equipment shall contain a display and a printer device.

C.2.4.8.2 Administrative Position Equipment

The ITS-II contractor shall be responsible for providing and installing up to a nationwide average of three workstations at each of the correctional facilities and locations covered by this contract. The BOP will determine the actual number of ITS-II workstations at each correctional facility.

The BOP may require additional workstations at some correctional facilities. Additional workstations requested by the BOP beyond the nationwide average of three per site will be leased in accordance with the prices proposed in Section B.

C.2.4.8.2.1 The ITS-II workstations shall allow BOP staff to access and perform the administrative functions associated with the ITS-II as defined within this SOW.

C.2.4.8.2.2 The ITS-II workstations shall include, at a minimum, 15-inch color monitors, standard-extended keyboard, mouse, dot matrix printer, and shall have the capability to perform electronic transfer of data to a removable medium such as 3.5 inch floppy disk.

C.2.4.8.2.3 All of the ITS-II workstations shall operate independently of other workstations in the same correctional facility even when accessing the same stored data.

C.2.4.8.3 Call Monitoring

The ITS-II shall provide call monitoring stations for the purpose of audibly monitoring inmate calls and providing information relative to the call in progress.

C.2.4.8.3.1 Call monitoring stations shall provide indicators for each phone in use at a correctional facility assigned to the user.

C.2.4.8.3.2 The ITS-II shall be capable of supporting ten monitoring stations at each correctional facility, each capable of monitoring any telephone in operation at that correctional facility. The amount of monitoring stations is currently estimated at four per site and not expected to exceed ten at correctional facilities with guard towers. The contractor shall provide the BOP with the amount of monitoring equipment requested at each site. Additional monitoring stations requested by the BOP beyond the nationwide average of four per site will be leased by the BOP in accordance with the prices proposed in Section B.

C.2.4.8.3.3 Call monitoring capability shall be an integral part of the ITS-II and require no additional wiring to the ITS-II for the addition of station sets.

C.2.4.8.3.4 The call monitoring stations proposed shall be different equipment than that proposed for workstations. Due to space limitations, a smaller display device capable of providing the required data is required.

C.2.4.8.3.5 Audible Call Monitoring Requirements

The ITS-II shall provide BOP staff the capability to audibly monitor inmate calls in progress. The BOP will provide its staff with this capability in various offices, towers, control centers, and other locations throughout each correctional facility.

C.2.4.8.3.5.1 The analog interface used for this capability shall not impact the voice path for an inmate's call in any way. DC voltages, voice transmission levels, and voice quality on the connection to the inmate station set shall not be effected by the status of the monitoring interface (e.g., whether a station set is attached to the interface or on or off hook)

C.2.4.8.3.5.2 It shall not be possible for either party in the call to determine the presence or status of this analog monitor interface through detection of changes in voice signal quality, voice transmission level, or external background interference such as impulse noise, crosstalk, or white noise.

C.2.4.8.3.5.3 BOP staff shall be provided with the capability to identify the call which they wish to monitor and easily access the voice path for that call

C.2.4.8.3.6 Call Monitoring Display Requirements

The ITS-II shall provide instant identification and access to monitoring of inmate telephone calls. Calls placed by inmates to alerted numbers and/or from alerted accounts shall be considered a priority and the ITS-II shall notify BOP staff of the call in progress

C.2.4.8.3.6.1 The time between the first possible detection of a call in process by the remote telephone equipment and a display of the call status shall not exceed two seconds

C.2.4.8.3.6.2 BOP staff shall have access to a station set equipped with a display that will indicate to the staff member the following:

- A Register number of inmate
- B Name of inmate
- C Telephone number called
- D Location or identification of telephone
- E Duration of call
- F Time of call
- G Recorder channel number

C.2.4.8.3.7 Call Monitoring Equipment Requirements

Call monitoring stations shall require a minimum amount of space due to the locations in which they may be installed

C.2.4.8.3.7.1 Call monitoring stations shall be capable of operating at distances greater than two miles from the station set being monitored

C.2.4.8.3.7.2 Call monitoring capabilities shall include, at a minimum, station sets with

speaker phones and headsets

- C.2.4.8.3.7.3 The ITS-II shall have the capability to support multiple call monitoring stations within a correctional facility as deemed necessary.
- C.2.4.8.3.7.4 Call monitoring equipment shall be capable of monitoring every station set at a correctional facility.

C.2.4.9 BOP Central Office Requirements

The ITS-II contractor shall provide the BOP with an ITS-II administrative system at its Central Office to oversee and administer system-wide operations and service, compile data on inmate use of the system, reconcile financial activities, facilitate training of BOP staff on ITS-II operation and capabilities, and perform system tests. This system will be used by BOP Central Office staff only. Therefore, call volumes will be exceptionally low. Call volumes at this site will not exceed 300 minutes per month. The contractor shall not bill the called party or the BOP for any of these calls. However, the contractor shall still fulfill all of the requirements stated in this section.

- C.2.4.9.1 The ITS-II shall provide BOP Central Office staff the capability to remotely call into the system using PC laptops, emulate the ITS-II terminal, and perform functions using the same keyboard functions as would be used if directly connected to the system. This remote capability shall require a system logon procedure and all data transmissions shall be fully encrypted. Transmission speeds shall be no slower than 33.6 kbps.
- C.2.4.9.2 The database information used to support the BOP Central Office system shall be partitioned from all other correctional facilities, such that financial transactions, including calls, will not be reflected as a part of the Central Office reconciliation reports. However, this capability shall not preclude the possibility of performing tests for centralized functionality between the BOP Central Office system and the BOP MSTC system.
- C.2.4.9.3 BOP Central Office ITS staff currently use eight, 120 MHz, Pentium processor, desktop Personal Computers, utilizing the Windows 95 operating environment. The ITS-II shall be capable of interfacing with the Windows 95 environment and connecting directly with each of these PCs to perform as a workstation. Additional connectivity for up to 15 PCs may be requested in the future.
- C.2.4.9.4 The ITS-II shall also provide electronic mail capabilities, complete with electronic notification, for BOP Central Office to correspond with individual correctional facility ITS staff, user groups defined within the system, user access levels, or specific terminals.
- C.2.4.9.5 The ITS-II system installed at the BOP Central Office facility shall include all

hardware, software, and service, corresponding to all equipment installed at any BOP correctional facility. All services shall be installed, however, less quantities will be required. The BOP Central Office facility shall require eight functioning inmate telephones, with service types and quantities capable of meeting the percentage grade of blocking required of this contract. Four workstations shall be required, as well as all peripheral equipment such as silent monitor stations, printers, FPPOS, and AIMs interfaces, etc.

C.2.4.10 Management and Specialty Training Center

The BOP provides training to correctional facility Financial Management staff at the MSTC in Aurora, Colorado. The contractor shall not provide training to these BOP staff. However, the contractor shall provide a system comparable to those installed at each correctional facility, at the MSTC for BOP staff to perform this training. This system will be used by BOP staff only. Therefore, call volumes will be exceptionally low. Call volumes at this facility will not exceed 300 minutes per month. The contractor shall not bill the called party or the BOP for any of these calls. However, the contractor shall still fulfill all of the requirements stated in this section.

- C.2.4.10.1 Due to space limitations, the ITS-II shall be capable of using the existing PC workstations at the MSTC in the place of ITS-II workstations. There are currently thirty five (35) workstations which shall be configured by the contractor to provide the same functionality as the ITS-II workstations.
- C.2.4.10.2 Since this is a training environment, the contractor is advised that the system shall be capable of accepting the same keystrokes for the same functions from all workstations simultaneously. Simultaneous printing capabilities are also required.
- C.2.4.10.3 The ITS-II system installed at the MSTC shall allow multiple simultaneous login of the same user types.
- C.2.4.10.4 Training classes typically occur once every month. The contractor shall provide methods of clearing previous training databases and setting up the system for new classes.
- C.2.4.10.5 The ITS-II system installed at the BOP MSTC facility shall include all hardware, software, and service, corresponding to all equipment installed at any BOP correctional facility. All typical voice services shall be installed, however, less quantities will be required. The MSTC shall require eight functioning inmate telephones, with service types and quantities capable of meeting the percentage grade of blocking required of this contract. All peripheral equipment such as silent monitor stations, printers, FPPOS and AIMs interfaces, etc., shall be required.
- C.2.4.10.6 The database information used to support the MSTC system shall be partitioned from all other correctional facilities, such that financial transactions, including calls,

will not be reflected as a part of the Central Office reconciliation reports. However, this capability shall not preclude the possibility of performing tests for centralized functionality between the BOP Central Office system and the MSTC system.

C.2.4.11 Contractor Central Operations Facility (COF)

The contractor shall provide their own facility (non-BOP) to house all ITS-II equipment which is not specifically required at a site and is necessary to provide centralized operations, including database processing and data storage. The contractor shall allow BOP staff access to this facility. The contractor shall provide disaster recovery plans for this facility in case of destruction of the site.

C.2.4.11.1 Security

The contractor shall provide the BOP with a written description of the system security plans the contractor shall put in place to protect the ITS-II data, and hardware components. The methods of physical security may include, but are not limited to, combination of key lock, motion detectors, and alarm systems.

C.2.4.11.2 BOP Access

BOP Central Office staff shall have access to the contractor's Central Operations Facility and any information stored or generated in relation to the ITS-II.

C.2.4.11.2.1 BOP Central Office shall maintain the right to perform site visits to the contractor's Central Operations Facility without prior notice to the contractor.

C.2.4.11.2.2 BOP Central Office staff shall maintain ownership of all information stored or generated at the Central Operations Facility that is related to the ITS-II operations.

C.2.4.11.3 Disaster Recovery

The contractor shall provide the following products as a plan to restore system operations in case of a disaster at the contractor provided Central Operations Facility and for each installed BOP location. The contractor shall be required to adhere to these plans in case of a system disaster. These products shall be submitted on electronic medium to the BOP COTR within four months of award of contract and become the property of the government. These plans shall be updated yearly. These plans will be reviewed for adequacy and approval by the BOP.

C.2.4.11.3.1 Risk Analysis Report

The contractor shall provide a report of the risk analysis identifying threats to information assets.

and existing vulnerabilities. The contractor shall provide plans which recommend methods to minimize the risk of loss

C.2.4.11.3.2 Contingency and Disaster Recovery Plans

The contractor shall provide the plans and arrangements which are necessary to ensure continuity of the critical functions of the ITS-II. This plan should cover all events of total or partial cessation of operations or destruction of the data base or physical facility. These plans should include procedures for both automated and manual recovery.

C.3 TRANSITION AND IMPLEMENTATION REQUIREMENTS

This section describes the requirements for the transition period during the installation of the ITS-II.

C.3.1 Transition and Implementation Plan

The contractor shall provide a transition and implementation plan which will include a time line for installation of all BOP sites and correctional facilities consistent with requirements outlined in this section. This time line shall address all aspects of installation for each site and correctional facility.

- C.3.1.1** The plan shall describe the activities involved in the transition to and implementation of the ITS-II.
- C.3.1.2** The contractor shall coordinate the transition and implementation of each site with the BOP Central Office.
- C.3.1.3** The focus of the transition plan shall be to minimize service disruption during the implementation process.
- C.3.1.4** The contractor shall provide a plan to include all aspects of the installation process. This plan proposed by the contractor shall be the baseline plan for each ITS-II implementation at a BOP correctional facility. The contractor shall include any other components for this baseline plan deemed necessary in addition to the elements in "A" through "E" below. Inspection and acceptance testing procedures discussed in Section E of this RFP must also be fully reflected in this plan. The plan shall include, at a minimum, the following:
 - A** Pre-installation procedures
 - 1 Staffing requirements
 - 2 Site visits
 - 3 Site evaluation
 - 4 System requirements check
 - B** Service coordination
 - 1 Local service arrangements
 - 2 Interexchange and international service agreements.
 - 3 FTS-2000/Post FTS-2000 coordination
 - 4 Time requirements for installation of services

C. Software preparation

1. Data conversion.
2. Data input.

D. Installation procedures.

1. Equipment delivery.
2. Time required for installation.
3. Equipment security.
4. Cut-over.
5. Cleanup.

E. Post-installation procedures.

1. System testing.
2. System acceptance.
3. After action reporting

C.3.2 Schedule For Installation

Exhibit J-5, Correctional Facility Installation Sequence provides a general installation order that the BOP intends to follow. Any changes to this sequence of installation must be approved by the BOP.

C.3.2.1 Contractor Central Operations Facility

Because of its critical support of the ITS-II program, the contractor-provided Central Operations Facility shall be the first location installed. This site shall be installed within the first three months after award of contract.

C.3.2.2 BOP Central Office Facility

The BOP Central Office Facility shall be the contractor's first installation of ITS-II. This site shall be installed within the first four months after award of contract. Depending on the ITS-II system proposed, this system may be used for input of data for correctional facilities to be installed.

C.3.2.3 BOP Training Facility, MSTC

The MSTC shall be the second site installation of the ITS-II. This site shall be installed within the first four months after award of contract.

C.3.2.4 Correctional Facilities

The BOP wishes to install the ITS-II as quickly as possible in all correctional facilities. However, it is also the intent of the BOP to ensure a proper working system prior to full scale implementation. For these reasons, the following guidelines are anticipated for installation of the first site and all additional sites thereafter.

The BOP will work with the contractor to install the ITS-II in the first BOP correctional facility within the first four months after award of contract. It is anticipated that this site will operate for two months prior to the installation of any additional sites. After all system changes and adjustments have been made and the Beta site has performed properly, the BOP shall approve installation of the ITS-II at additional sites. The ITS-II will then be installed at correctional facilities based on the installation order in **Exhibit J-5, Correctional Facility Installation Sequence**. Additionally, pursuant to delivery orders issued by the BOP, the contractor will be required to install the ITS II at the first 38 correctional facilities listed in Exhibit J-5 within 18 months of the contract award date and in the order listed in Exhibit J-5, unless the BOP directs otherwise.

C.3.3 Pre-installation Process

The following paragraphs describe the activities which shall occur prior to the installation of the ITS-II at a correctional facility.

C.3.3.1 Staffing Requirements

The contractor shall provide information on how it will provide sufficient staffing to install the system, whether these personnel are contractor staff, subcontractor staff, or temporary employees hired for installation purposes only.

C.3.3.2 Site Visits

The contractor shall perform site visits as necessary to prepare for the installation of the ITS-II at each site. The contractor shall rely on the information gathered from these site visits to size the system and gain an understanding of that correctional facility's needs for installation. These visits shall be coordinated with BOP Central Office staff and support the installation schedule. The contractor's field technician shall be required to, at a minimum, visit the correctional facility during implementation of the ITS-II to ensure familiarization with the equipment and correctional facility access procedures.

C.3.3.2.1 Site Evaluation

The contractor shall provide the BOP with an installation plan, site checklist, and an installation checklist to further ensure proper cut-over of the ITS-II.

C.3.3.2.2 System Requirements Check

The contractor shall provide the BOP with any concerns it may have regarding installation of the ITS-II at each site, as a result of the site survey. The BOP and the contractor shall work together to resolve any concerns.

C.3.4 Software Preparation

The transition and implementation plan shall cover how the contractor will perform the transfer and input of data prior to cut-over of the ITS-II.

C.3.4.1 Data Input

The contractor shall be responsible for installing inmate-related information from the existing ITS into the new ITS-II. The contractor will be provided with an ASCII data file(s) download from the previous ITS which contains the following:

- A. Inmate name.
- B. Register number.
- C. Inmate calling lists.
- D. Inmate balance.
- E. Descriptions.

C.3.4.1.1 The contractor shall provide a data input device at correctional facilities without an existing ITS which will allow the BOP to input inmate information two months prior to implementation and maintain the information current through implementation. It may be possible to use this same data input device at correctional facilities with the current ITS prior to implementation

C.3.4.1.2 The contractor is solely responsible for converting the ASCII data downloaded from the previous ITS and ensuring the information is accurately uploaded to the ITS-II.

C.3.5 Installation Process

The contractor shall be responsible for all equipment, tools, and materials required in the installation of the ITS-II. The contractor is advised that all tools and personnel will be checked prior to entrance into a BOP correctional facility. All tools will be accounted for at the end of each working day.

C.3.5.1 BOP Responsibilities

The BOP is responsible for de-installing the present ITS. The de-installation for each correctional facility is expected to take less than 24 hours.

C.3.5.2 Installation Procedures and Schedule

The contractor shall provide an anticipated time line for the installation of a single ITS-II at a BOP correctional facility.

C.3.5.2.1 The time-line shall provide specific details on each component from the beginning of the installation process to cut-over, including significant milestones.

C.3.5.2.2 The time-line shall include variable time-frames, if necessary, based on the number of telephone sets a correctional facility requires.

C.3.5.3 Equipment Delivery

The contractor shall be responsible for the delivery of all the ITS-II related equipment to each BOP site and correctional facility

C.3.5.3.1 The contractor shall be responsible for ensuring the delivery of proper equipment in working condition.

C.3.5.3.2 The contractor shall provide information on the means of delivery for the ITS-II and whether the means consists of contractor or subcontractor personnel.

C.3.5.4 Cutover

The contractor shall propose the time required to perform the physical cutover of an ITS-II location

C.3.5.4.1 Within the transition and installation plan, the contractor shall provide specific details on the process of the actual cutover to the ITS-II.

C.3.5.5 Cleanup

The contractor shall be responsible for ensuring the areas of installation are emptied of all materials used and discarded during the installation

C.3.5.6 Additional Equipment Orders after Original Installation

The BOP may require the addition of equipment at its correctional facilities after the original installation of the ITS-II. The contractor shall install additional equipment within 30 days upon notification from the BOP Contracting Officer. This installation of this equipment shall be at no cost to the BOP if the quantities do not exceed the nationwide averages stated elsewhere in this RFP. The BOP will issue a Task Order for the addition of equipment which exceeds the nationwide averages stated elsewhere in this RFP.

C.3.5.7 Newly Constructed Correctional Facilities

When a new correctional facility is opened by the BOP (but before occupancy by inmates), the contractor and BOP shall determine a schedule for installation of an ITS-II at that location to ensure service as soon as practicable at the new site. The number of sites to be opened during the life of the contract is unknown, but may surpass the 30 correctional facilities now in planning or construction stages. The contractor is advised that installation dates for the ITS-II at new BOP correctional facilities occasionally change due to construction delays or the BOP's needs.

C.3.5.7.1 The contractor shall be required to work with the BOP to adjust to these delays or changes in implementation dates at no additional cost to the government.

C.4 MAINTENANCE REQUIREMENTS

The contractor shall not configure ITS-II to require on-site support under normal operating conditions. After installation of the ITS-II at a correctional facility, contractor personnel will be permitted access to the correctional facility for the repair of equipment, restoration of services, and remedial and scheduled maintenance activities. Restrictions on contractor on-site maintenance activities are discussed in Section C.4.2.

C.4.1 Maintenance and Service Levels

C.4.1.1 Service Level Requirements

This section discusses the various service level requirements that may be ordered by the BOP. This section also defines the criteria the BOP will use to determine if the service level requirements ordered by the BOP have been met by the contractor.

The BOP shall order one specific maintenance service level for both direct dial and collect calls for all sites. If the contractor meets or exceeds the criteria for the maintenance service level ordered for the entire month, the contractor shall be compensated at the rates in Section B that the contractor has bid for the maintenance level selected by the BOP. If the contractor fails to provide the service level ordered by the BOP for that month, the contractor shall not be compensated at the rate for direct dial calls and the percentage for collect calls corresponding to the service level ordered, but rather the contractor shall be compensated at the rates and percentages which corresponds with the lower level of service actually provided for that month. This lower level of compensation shall be applicable to all calls from all institutions for the month in which the maintenance service level provided fell below the service level ordered by the BOP.

The contractor shall change the level of service provided upon receipt of 120 days written notification from the BOP ordering such change

C.4.1.2 Catastrophic Downtime

Catastrophic downtime of the ITS-II is defined as any event which results in the loss of phone call processing from twenty-five percent (25%) or more of the ITS-II inmate handsets installed at a BOP site or any event which results in the complete loss of availability of any single ITS-II service. Such events include the following faults of the ITS-II components, including a single fault limited to a single correctional facility or multiple related faults at several correctional facilities simultaneously; loss of network services supporting direct dial and collect calling services; loss of system operation to accommodate routine or remedial maintenance activities which occurs during a time in which the ITS-II is available for use; voluntary deactivation of an ITS-II at a correctional facility by BOP management, in response to an ITS-II fault, that is deemed necessary to ensure the safe and orderly operation of the BOP correctional facility or to prevent financial loss to the Trust Fund. Catastrophic downtime will be the time the ITS-II

services are affected by catastrophic failures and will be measured as beginning at the time the trouble report for the catastrophic failure is called into the contractor's Maintenance Operations Control Center, and ending when BOP acknowledges that the Catastrophic Failure has been resolved. This time will be measured and reported each month for each BOP site served by an ITS-II system installed by the Contractor as indicated in Section C.4.6, Maintenance Reports.

C.4.1.2.1 Maximum Acceptable Catastrophic Downtime

The Contractor shall design and maintain all ITS-II systems and installations to ensure that Catastrophic Downtime does not exceed the requirements of the maintenance level chosen by the BOP.

C.4.1.2.2 Catastrophic Failure Restoration

The contractor shall respond to and resolve all Catastrophic Failures within the time frames specified by the maintenance level chosen by the BOP.

C.4.1.3 Non-catastrophic Failures

Non-catastrophic failures will be any events causing loss of ITS-II inmate calling services or ITS-II administrative capabilities (i.e., such as running reports or queries, transferring funds, monitoring calls, inputting information) due to ITS-II fault, malfunction, or deactivation for maintenance purposes that are not defined as catastrophic failures. Non-catastrophic failures will be measured as beginning at the time the trouble report for the non-catastrophic failure is called into the contractor's Maintenance Operations Control Center, and ending when the BOP acknowledges that the non-catastrophic failure has been resolved at that site. This time shall be measured and reported each month for each BOP site served by an ITS-II system installed by the contractor, as indicated in Section C.4.6, Maintenance Reports.

C.4.1.3.1 Maximum Acceptable Non-catastrophic Downtime

The contractor shall design and maintain the ITS-II systems and installations to ensure that non-catastrophic downtime does not exceed the requirements of the maintenance level chosen by the BOP

C.4.1.3.2 Non-catastrophic Failure Restoration

The contractor shall respond to and resolve all non-catastrophic Failures within the time frames required of the maintenance level chosen by the BOP

C.4.1.4 System Downtime Reports

The contractor shall track catastrophic and non-catastrophic failures and down-times for all the ITS-II installations and compile per-site records of these measures every month.

C.4.1.5 Maintenance Levels

The following criteria for monthly catastrophic and non-catastrophic downtime will be established to define the maintenance levels for which the contractor shall propose rates for ITS-II services in Tables 1A through 1D as defined in Section B.

A. Level 1 (Table 1A)

1. The nation-wide average of catastrophic downtime shall not exceed 0.25 hours per site.
2. No correctional facility shall experience catastrophic downtime in excess of six hours for the month.
3. The number of catastrophic downtime trouble tickets shall not exceed one at any site in any individual month.
4. The amount of time to resolve any non-catastrophic failure shall not exceed 12 hours for any correctional facility.
5. The number of non-catastrophic trouble tickets shall not exceed one at any site in any individual month.

B. Level 2 (Table 1B)

1. The nation-wide average of catastrophic downtime shall not exceed 0.5 hours per site.
2. No correctional facility shall experience catastrophic downtime in excess of 12 hours for the month.
3. The number of catastrophic downtime trouble tickets shall not exceed two at any site in any individual month.
4. The amount of time to resolve any non-catastrophic failure shall not exceed 24 hours for any correctional facility.
5. The number of non-catastrophic trouble tickets shall not exceed two at any site in any individual month.

C. Level 3 (Table 1C)

1. The nation-wide average of catastrophic downtime shall not exceed one hour per site.
2. No correctional facility shall experience catastrophic downtime in excess of 24 hours for the month.
3. The number of catastrophic downtime trouble tickets shall not exceed three at any site in any individual month.
4. The amount of time to resolve any non-catastrophic failure shall not exceed 48 hours for any correctional facility.
5. The number of non-catastrophic trouble tickets shall not exceed three at any site in any individual month.

D. Level 4 (Table 1D)

1. The nation-wide average of catastrophic downtime shall not exceed two hours per site.
2. No correctional facility shall experience catastrophic downtime in excess of 48 hours for the month.
3. The number of catastrophic downtime trouble tickets shall not exceed four at any site in any individual month.
4. The amount of time to resolve any non-catastrophic failure shall not exceed 96 hours for any correctional facility.
5. The number of non-catastrophic trouble tickets shall not exceed four at any site in any individual month.

C.4.1.6 Failure to Meet Maintenance Service Level Ordered

The contractor shall provide a system that meets or exceeds the service level ordered by the BOP. If the contractor fails to provide the service level ordered by the BOP, the contractor shall not be compensated at the rates and percentages for the service level ordered, but rather the contractor shall be compensated at the service level rates and percentages which correspond with the lower level of service actually provided. The BOP COTR will inform the contractor in writing within 15 days of receipt of the monthly maintenance reports of the contractor's need to adjust the monthly invoice to compensate for the lower maintenance service level actually met by the contractor.

C.4.1.7 Waivers for ITS-II Maintenance Service Level Measurements

The BOP reserves the right to grant the contractor waivers for catastrophic or non-catastrophic downtime and/or trouble tickets in a given month due to specific failures and events. The BOP may grant waivers if the BOP determines that the event or events that lead to specific catastrophic and/or non-catastrophic failures and the resulting downtimes due to extraordinary circumstances. However, the BOP will retain the final authority in making such determinations.

C.4.1.8 Exemptions for ITS-II Maintenance Service Level Measurements

The number of trouble tickets resulting from inmate damage to individual telephones shall be exempted from the calculations related to meeting maintenance level criteria. However, the time to repair telephones damaged by inmates shall not be exempted from the calculations related to meeting maintenance level criteria. Additionally, downtime caused by the BOP for reasons such as refusal to allow entry, or requesting a delayed repair, may be reduced from the total downtime by an amount equal to that caused by the BOP.

The following events shall be exempted from the maintenance level measurements required by this contract

A. Downtime caused by:

1. FTS problems.
2. Internal wiring.
3. BOP operator failure.
4. BOP environmental disasters.
5. Natural disasters occurring at BOP sites.
6. Local telephone company caused problems.
7. Planned semiannual software upgrades as agreed to by the BOP.

B. Trouble Tickets generated by:

1. Items one through six above.
2. Inmate damage.
3. BOP approved "bug list" issues.
4. Erroneous reporting of a trouble.
5. Local exchange and area code updates.
6. Redundant tickets for same problem.

The contractor shall notify the BOP COTR or his/her designee in writing of the contractor's intent to claim exemptions from a maintenance level measurement for a specific trouble ticket.

This notification shall be made through the daily trouble reporting process to the COTR.

Regardless of any exemptions claimed, the contractor shall be responsible for the repair their service, hardware, and software

C.4.2 General Maintenance Requirements

The contractor shall provide the Government with on-call maintenance service for the full contract period of performance including exercised option years for all equipment and services provided under this agreement

C.4.2.1 The contractor shall respond to all troubles reported on the ITS-II. If the contractor determines that a malfunction exists due to equipment or services provided by the government, such as FTS or internal wiring, the contractor shall notify the appropriate BOP staff of the malfunction and shall assist the BOP or its contractor as necessary or requested, to help diagnose the malfunction.

C.4.2.2 The contractor shall not require the use of an on-site administrator to fulfill the maintenance or any other requirements of this contract. The BOP will allow the contractor access to correctional facilities for the repair of services and equipment, and remedial maintenance needs. Physical access shall be coordinated with the

individual correctional facilities

- C.4.2.3 The contractor shall not schedule routine and preventative maintenance more than once per month for any BOP site. This shall include all subcontracted maintenance activities for any ITS-II component.
- C.4.2.4 The contractor shall provide detailed plans of its troubleshooting and maintenance procedures and schedules including any remedial maintenance deemed necessary by the contractor to fulfill the requirements of this contract.
- C.4.2.5 The contractor, at the request of the BOP, shall perform any work that may adversely affect inmate use of the telephones during off peak hours.
- C.4.2.6 The contractor shall provide skilled technicians who will be available to perform maintenance work on the ITS-II at each of the correctional facilities and the ITS-II locations covered by this contract.
- C.4.2.7 In general, the contractor shall not assume that the BOP will provide space in its correctional facilities for spare parts for the ITS-II.
- C.4.2.8 A trouble ticket shall be established at the time a trouble is reported by a BOP site.
- C.4.2.9 Each trouble ticket shall be assigned a unique sequential number and given to the BOP staff member at the time the trouble is reported.
- C.4.2.10 Each trouble ticket shall include, at a minimum, the following information
 - A Trouble ticket number.
 - B Date and time trouble reported
 - C Date and time trouble resolved
 - D Total time to resolve
 - E Name of person reporting trouble
 - F Site at which trouble was reported
 - G Component affected
 - H Reported description of trouble
 - I Actual description of trouble
 - J Description of solution of trouble
 - K Any exemption claimed

C.4.3 Maintenance Operations Control Center

The contractor shall maintain a 24-hour-per-day, 7-day-per-week maintenance operations control center for response to the BOP in conjunction with operating the ITS-II.

- C.4.3.1 The maintenance operations control center shall serve as the single point for generating trouble tickets that are established as a result of a system or service problem. BOP access to this center shall be through a contractor provided toll free telephone number.
- C.4.3.2 The ITS-II shall be designed to minimize the need for BOP staff to report troubles such that the system and services shall automatically generate alerts to the maintenance operations control center for malfunctions or detected service degradation.
- C.4.3.3 The contractor shall maintain sufficient facilities and staff for receiving information on trouble calls so that the Government waiting time to provide such trouble information to a live person does not exceed 5 minutes from the time the call is placed.

C.4.4 Maintenance Status Updates

During a catastrophic system problem, the contractor shall be required to update the BOP hourly, if requested by the BOP, until the problem is resolved.

- C.4.4.1 The contractor's update shall include, at a minimum, the following information.
 - A. Current status of the problem.
 - B. Projected solutions.
 - C. Estimated time needed to resolve the problem.

C.4.5 Escalation Plan

The contractor shall propose escalation procedures, processes, and personnel procedures for use during an ITS-II system failure

- C.4.5.1 The contractor's ITS-II escalation procedures shall be subject to BOP approval and all contractor staff identified in the escalation plan shall be capable of being contacted
- C.4.5.2 During a system failure, the contractor shall adhere to the approved escalation procedure
- C.4.5.3 The contractor shall provide one contact person plus one alternate point of contact from its organization to address unanticipated difficulties (installation concerns, system downtime, degradation of services, etc.)
- C.4.5.4 The contractor shall also provide additional escalation policies and points of contact, including contact numbers (telephone, pager, facsimile, E-mail), titles, and chain of

command, for the use of BOP in case the contractor's efforts by the single point of contact are insufficient in resolving a particular situation.

- C.4.5.5 If the main contact point is not the ITS-II project manager, the contractor shall clarify the relationship of the project manager in the escalation process.

C.4.6 Maintenance Reports

The contractor shall develop, prepare, and provide monthly maintenance reports to the BOP COTR and Contracting Officer to keep the BOP informed about the ITS-II performance.

- C.4.6.1 The contractor shall present and discuss these monthly maintenance reports as a part of the monthly ITS-II maintenance meetings with the BOP.
- C.4.6.2 The contractor shall provide the BOP with monthly maintenance reports which thoroughly document and analyze system performance, trouble ticket reports, and trouble trends.
- C.4.6.3 The contractor shall work with the BOP to develop these reports in a meaningful and informative format
- C.4.6.4 Monthly maintenance reports shall be available in both hard copy and electronic format. The database or spreadsheet file used to create these reports shall also be provided to the BOP on electronic medium.
- C.4.6.5 These reports shall be provided within 15 working days after the end of the previous month
- C.4.6.6 The contractor shall continue to prepare and provide monthly maintenance reports to the BOP for the duration of this contract
- C.4.6.7 The contractor shall provide service level compliance reports on a monthly basis which shall include, at a minimum, the following information. This information shall be presented in two formats, one which includes all troubles reported, including any exemptions, the second shall include all troubles reported, excluding any exemptions and waivers

A Catastrophic downtime report

- 1 The report shall list catastrophic downtime for each individual BOP site for the previous month
- 2 The report shall list the catastrophic downtime for the entire BOP for the previous month
- 3 The report shall list the catastrophic downtime for each individual BOP site by

month for the previous six months.

4. The report shall list the nation-wide average of catastrophic down-time per site for the previous month
5. The report shall list the number of catastrophic down-time trouble tickets by site for the previous month.
6. The report shall indicate compliance or non-compliance with the maintenance service level ordered by the BOP. If the maintenance service level ordered by the BOP is not met, the report shall indicate which level was actually met by the contractor

B. Non-catastrophic downtime report

1. The report shall list non-catastrophic downtime for each individual BOP site for the previous month
2. The report shall list the starting time, ending time, and total for each non-catastrophic failure experienced at each site during the previous month.
3. The report shall list the non-catastrophic downtime for each individual BOP site by month for the previous six months.
4. The report shall list the nation-wide average of non-catastrophic down-time per site for the previous month
5. The report shall list the number of non-catastrophic down-time trouble tickets by site for the previous month.
6. The report shall indicate compliance or non-compliance with the maintenance service level ordered by the BOP. If the maintenance service level ordered by the BOP is not met, the report shall indicate which level was actually met by the contractor

C.4.6.8 The contractor shall provide the BOP COTR with daily reports of all trouble tickets reported on the previous day. Trouble tickets reported on weekends and Federal Holidays may be reported on the next workday. This report may be faxed or E-mailed to the BOP on a daily basis

C.4.7 Monthly Maintenance Meetings

The contractor shall meet monthly with the BOP Central Office staff. These meetings shall be for the purpose of presenting ITS-II prior month's maintenance reports and discussing resolutions to program issues and concerns. These meetings may be scheduled less frequently at the discretion of the BOP. The site for the meetings shall be determined by the BOP. Travel may be required to various BOP sites, contractor sites, and subcontractor's sites. The contractor shall provide representatives for each of its subcontractors at each of these meetings if requested by the BOP.

C.5 TRAINING AND DOCUMENTATION

C.5.1 Training

The contractor shall provide training to a maximum of twelve BOP ITS-II Central Office personnel in the use and technical operation of the ITS-II. It is anticipated that this training will require from 40 to 80 hours of classroom time. The BOP will cover the costs of its travel expenses to the contractor's location for this training.

C.5.1.1 The first training session shall be provided within four months of award of contract.

C.5.1.2 The training shall be designed to provide BOP Central Office staff with a thorough working knowledge of the various the ITS-II components, their integration, and system operation.

C.5.1.3 The contractor shall provide annually, upon the request of the BOP, updated refresher training for any major or significant changes to the administration, maintenance, or use of the ITS-II. The BOP will cover the costs of travel expenses to the contractor's location for this training.

C.5.2 System Documentation

The contractor shall provide complete system documentation at each site for all software and hardware components of the ITS-II. BOP will use the documentation for internal purposes only.

This documentation shall be updated by the contractor as necessary to remain current with the system.

The contractor shall also provide two Implementation Engineering Plans (IEP) for each site which detail the site specific wiring, trunking and routing data. One plan shall remain at the correctional facility and the other plan shall be provided to the BOP Central Office. The IEP shall be updated as changes to the system are made and shall be used by the contractor's local technicians and BOP staff to aid the troubleshooting process.

C.5.2.1 Reference Cards

The contractor shall provide reference cards, which have been approved by the BOP, that provide inmates with instructions on the use of the ITS-II. The contractor shall provide proof copies of all reference cards which may be copied by the BOP as required for distribution to its inmate population.

C.5.2.1.1 These cards shall be prepared in English and Spanish, and shall become the property of the BOP.

- C.5.2.1.2 The cards may be copied and/or distributed by the BOP as desired.
- C.5.2.1.3 The contractor shall provide a quantity of cards equivalent to the inmate population of each institution at the time the ITS-II is being installed at that institution.
- C.5.2.1.4 These cards may only be produced out of paper. Lamination is not allowed.

C.5.2.2 User Manuals

The contractor shall provide and maintain current operation manuals for each BOP site. One type of operating manual, addressing the full capabilities of the ITS-II is acceptable.

- C.5.2.2.1 These manuals shall contain detailed and clear instructions on the operation of the ITS-II software.
- C.5.2.2.2 These manuals shall be provided within one month after installation of the second correctional facility.
- C.5.2.2.3 These manuals shall be updated at each site as software version updates are made.
- C.5.2.2.4 The contractor shall provide a user manual(s) for each workstation at every site.
- C.5.2.2.5 The contractor shall allow the BOP to make copies of these user manuals for internal use only.

C.6 General Contractor Requirements

- A The contractor shall be responsible for complying with all state and national laws and regulations concerning the delivery of these services.
- B The contractor shall be held responsible for any noncompliance to these laws and regulations.
- C The contractor shall provide goods and services at the prices proposed in Section B as ordered by the BOP

C.6.1 Language Requirements

All contractor and subcontractor personnel supporting the ITS-II shall speak and understand English

C.6.2 Organizational structure

Offerors shall provide information (organizational charts and explanatory charts) on the following organizational structures:

- A. Overall company structure: how the company is organized.
- B. Project structure: staffing structure for the ITS-II project and how this project is positioned within the company.
- C. Detailed structure for the Central Operations Facility: to be staffed by the contractor.

C.6.3 Subcontractor Management

The contractor shall be responsible for all subcontractor personnel at all times.

- C.6.3.1 The contractor shall propose and adhere to a comprehensive plan regarding subcontractors.
- C.6.3.2 The contractor shall provide BOP with its policies and procedures of subcontractor management including the following:
 - A. Contractor's level of experience with the subcontractor.
 - B. References to the subcontractor's performance.
 - C. Points of contact.
 - D. Financial stability.
 - E. Quality control measures.
 - F. Replacement policies (contractor replacements attributed to situations such as corporate mergers, acquisition or insolvency, and poor performance).

C.6.4 Quality Assurance

The contractor shall propose and adhere to quality assurance (QA) plans and procedures.

- C.6.4.1 The contractor's QA plan shall address, at a minimum, the following:
 - A. Hardware.
 - B. Software testing procedures
 - C. Corporate and project-specific quality assurance methods to be used.
- C.6.4.2 QA shall address all aspects of the total ITS-II.
- C.6.4.3 QA plans shall specifically address, in addition to hardware and software, all system documentation and all aspects of program and configuration management.

C.6.5 Configuration Management

The contractor shall propose and adhere to Configuration Management (CM) plans and procedures.

C.6.5.1 The contractor's CM plan shall be updated as necessary and include at a minimum the following.

- A. Hardware installed.
- B. Planned hardware upgrades.
- C. Software/firmware versions.
- D. Planned software upgrades.

C.6.5.2 Configuration management plans and procedures shall be available to BOP at any time throughout the contract

C.6.5.3 Configuration management data shall be updated whenever any software or hardware is changed or replaced. This data shall be provided to the BOP at the time of update.

C.6.6 Completion of Contract

The Contractor shall be responsible for removing all equipment related to the ITS-II at the termination or completion of the contract. The schedule for the removal of equipment shall be determined by the BOP. Immediately upon the completion or termination of this contract the contractor shall provide the BOP Central Office with a stand-alone system which contains all financial records and call records for the previous six years and the software to easily retrieve and output this information within the same parameters of the reports provided in this SOW. This system will be provided by the contractor at no cost to the BOP.

ATTACHMENT A

EXHIBIT 4

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5/2/02

FEDERAL COMMUNICATIONS LAW JOURNAL

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FEDERAL COMMUNICATIONS BAR JOURNAL

VOLUME 54

MAY 2002

NUMBER 3

Articles

AN EFFICIENCY ANALYSIS OF CONTRACTS FOR THE PROVISION OF TELEPHONE SERVICES TO PRISONS

By Justin Carver.....391

As the numbers of prisons and prisoners continue to increase, so does the market for prison services. One of the more lucrative segments of this industry is the telephone market. To the extent that the services are provided to the prisoners, the relationship resembles a third party beneficiary contract, but due to the perverse financial incentives and the political climate surrounding prisons and prisoners, neither the state nor the private entity acts in the best interests of the consumers in particular or of society in general. This Article will analyze the efficiency of these contracts, introduce alternate arrangements, and compare the efficiency of the present contracts to the alternatives.

An Efficiency Analysis of Contracts for the Provision of Telephone Services to Prisons

Justin Carver*

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I. INTRODUCTION

The prison population in the United States has dramatically increased since the 1970s, and as recently as 1998, there were nearly two million inmates incarcerated in the United States.¹ As the numbers of prisons and prisoners continue to increase, so does the market for prison services. Indeed, the prison industry has already grown into a multibillion-dollar industry with its own trade shows and trade newspaper.²

One of the more lucrative segments of this industry is the telephone market. In the prison context, the state contracts with a private entity, and the private entity provides services to the prisoners and also to the state. To the extent that the services are provided to the prisoners, the relationship resembles a third party beneficiary contract. Due to the perverse financial incentives and the political climate surrounding prisons and prisoners, however, neither the state nor the private entity acts in the best interests of the consumers in particular or of society in general.

With respect to the financial incentives, it is estimated that inmate calls generate a billion dollars or more in annual revenue.³ One prison pay phone can generate \$15,000 annually; a typical public pay phone generates only one-fifth of that amount.⁴ Faced with the possibility of such revenues, MCI installed its inmate phone service in prisons throughout California at no charge to the state.⁵ As part of the deal, in exchange for the right to be the sole provider of telephone services to the prisons, MCI pays the California Department of Corrections a 32% share of all revenue derived from the calls.⁶ MCI adds a three-dollar surcharge to each call.⁷ The

1. Eric Schlosser, *The Prison-Industrial Complex*, THE ATLANTIC MONTHLY, Dec. 1998, at 51-52, available at <http://www.theatlantic.com/issues/98dec/prisons.htm>.

2. *Id.* at 63-64.

3. *Id.* at 63.

4. *Id.*

5. *Id.*

6. *Id.* This is standard practice. A 1995 study of state departments of correction reported that 38 of 41 respondents received commissions from inmate phone systems. See,

California example is by no means unique; it is the rule, rather than the exception.

This Article will analyze the efficiency of these contracts, introduce alternate arrangements, and compare the efficiency of the present contracts to the alternatives. In so doing, this Article will demonstrate that the present contracts are inefficient. More specifically, Section II discusses problems that are unique to the provision of phone service to prisoners, and introduces the practical shortcomings of the current contracts. The Telecommunications Act of 1996, the source of Federal Communications Commission ("FCC") regulatory jurisdiction, is discussed in Section III. Section IV introduces a few basic principles used in performing an efficiency analysis. Section V uses payoff matrices and game theory to demonstrate how the award process for the contracts causes inefficiencies to arise and perpetuate indefinitely. Section VI introduces alternate contract structures and demonstrates that certain alternatives are more efficient than the present contracts. Section VII contains a brief conclusion that calls for the FCC to adopt regulation that preempts existing state contracts which are inconsistent with the most efficient alternate structure.

II. NATURE OF PRESENT CONTRACTS

A. Exclusive Provider Provisions

The contract between the telecommunications provider and the state typically provides that the telecommunications provider will be the sole provider for a particular prison or prison system.⁷ Parties to these agreements often cite the high costs of the security systems associated with the operation of a phone system in a prison as justification for the exclusive-dealing provisions.⁸ Stated differently, the asserted justification is

e.g., JOINT LEGIS. AUDIT AND REVIEW COMM'N OF THE VA. GEN. ASSEMB., REVIEW OF THE DEP'T OF CORRECTIONS' INMATE TEL. SYS., House Doc. No. 70, 1997 Sess., at 3 (1997), available at <http://jlarc.state.va.us/reports/rpt199.pdf> [hereinafter JOINT LEGIS. AUDIT]. This Article will refer to the share of the revenue as "commission" or "kickback."

7. Schlosser, *supra* note 1, at 63.

8. JOINT LEGIS. AUDIT, *supra* note 6, at 16.

9. David Fischer, *Reach Out and Gouge Someone*, U.S. NEWS & WORLD REPORT, May 5, 1997, at 51. Clearly, a security system is both desirable and necessary. It is imperative that prisoners be precluded from running a drug ring while in prison, contacting and tampering with witnesses, and so on. Most if not all states, for example, require that the prisoner submit a list of persons that the prisoner would like to be able to contact by telephone. The persons are then investigated, and if approved, the names of those persons are then placed on the inmate's list. The inmate may contact by telephone only those persons who are on the approved list. Each inmate is allowed to place a limited number of persons on the inmate's list at a given time. See FLA. H.R., JUSTICE COUNCIL, COMM. ON CORRECTIONS, MAINTAINING FAMILY CONTACT WHEN A FAMILY MEMBER GOES TO PRISON:

that the market is a natural monopoly, or a market that "can be served most efficiently by a single incumbent firm."¹⁰

There are two reasons why the market is believed to be a natural monopoly: (1) the provision of telecommunications in general is best accomplished by one firm; and (2) the costs of the security system make it impracticable for more than one firm to service a prison. The first reason is based on bad economics, and as a matter of public policy, it has been abandoned by Congress.¹¹ The second reason is factually unsubstantiated as well as pretextual. At least one state, New Jersey, has authorized competition in the provision of telephone services to inmates, and in so doing, the only articulated concerns were security related.¹² The New Jersey Board articulated no "efficiency" concerns.

The truth is that states stand to earn additional revenue when a monopoly is providing the service, because the state will receive both a commission and tax revenue based on the monopoly profits.¹³ In fact, most states are not responsible for operating the security system; that task is delegated to the service provider. In 1998, New York estimated that the annual cost of overseeing the maintenance of the phone system, including the security system, was a mere \$283,000.¹⁴ Incidentally, the New York State Department of Correctional Service receives a 60% commission from MCI in exchange for granting MCI the right to be the sole service provider

AN EXAMINATION OF STATE POLICIES ON MAIL, VISITING, AND TELEPHONE ACCESS, at 20-21 (Nov. 1998), at <http://www.fcc.state.fl.us/fcc/reports/family.pdf> [hereinafter MAINTAINING FAMILY CONTACT].

10. E. THOMAS SULLIVAN & HERBERT HOVENKAMP, *ANTITRUST LAW, POLICY & PROCEDURE* 972 (4th ed. 1999).

11. See Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (codified at scattered sections of 47 U.S.C.).

12. Executone Information Systems, Inc., 141 P.U.R. 4th 519 (N.J. Bd. Reg. Comm'rs Apr. 5, 1993), available at <http://www.westlaw.com>.

13. For more detail, see *infra* Part VI.

14. John Sullivan, *New York State Earns Top Dollar From Collect Calls by Its Inmates*, N.Y. TIMES, Nov. 30, 1999, at A1. Where the states are responsible for the security system, the costs are higher. For example, in Oklahoma, the state received \$1.9 million in the year 2000, spent \$1.2 million on security, and retained a profit of \$700,000. Bobby Ross, Jr., *Cost of Calls May Decrease for Inmates; Board Asks for Change in Prison Phone System*, THE DAILY OKLAHOMAN, Jan. 26, 2001, 4A. According to a press release by Massachusetts CURE, the average cost of a collect call made in the state of Massachusetts is \$0.20 a minute. In Massachusetts prisons, calls are limited to a length of twenty minutes each. The minimum cost of a call made out of a prison in the Massachusetts 413 area code is \$8.50, or \$0.43 per minute for twenty minutes. Press Release, Massachusetts Cure, *Prison Telephone Charges to 413 Area Triple Those Elsewhere - Rep. Swan Renews Call to Limit Tolls as National Boycon Begins* (Aug. 1, 2000), available at <http://www.masscure.org/pressrelease0800.html> (on file with author) [hereinafter Swan Renews Call]. This Article explores whether the security system used in Massachusetts really doubles the cost of the calls or whether the 40% kickback imposed by the state does.

to prisons in New York.¹⁵ In 1998 alone, the Department received \$25 million pursuant to this arrangement.¹⁶ The Department has received approximately \$68 million since the inception of the arrangement.¹⁷ States often earn tens of millions of dollars in annual revenue from the telephone agreements, as do the telephone companies.

States also seek to justify the exclusive dealing provisions by asserting that there is competition for the award of the contract, and the threat of competition for the contract encourages the telephone service provider to act as though there is competition for the provision of the services. This argument is based on the theory of contestable markets. Where the identity of a monopolist is determined by a competitive bidding process, and where there is no collusion among bidders, the theory of contestability holds that the price charged by the monopolist will approximate that which is charged in a competitive market.¹⁸ Because the price charged by the monopolist is substantially similar to the price that would be charged in a competitive market, there is no need to regulate the monopolist.¹⁹ There are a number of problems with the application of the theory to this situation. First, note that for the theory to function properly, the bidding for the contract must be renewed regularly, because once a firm begins operating in the market, there is no incentive to price competitively.²⁰ It is also important to note that contestability has not worked well where the sunk costs are high, as they are here.²¹

More crucially, the manner in which these contracts are actually awarded does not fall within the traditional understanding of the contestability theory, which presumes that the contract will be awarded on the basis of cost and/or quality of service. Here, the contracts are usually awarded solely on the basis of which company will provide the state with the largest commission, and not on the basis of which company will provide the services at the lowest price.²² As the award process does not create an incentive for the firm to behave competitively, this practice is not

15. Associated Press, *Suit Targets Rates for Prison Phones*, *NEWSDAY*, Mar. 22, 2000, at A32, available at 2000 WL 10003231 [hereinafter *Suit Targets Rates*].

16. *Id.*

17. *Id.*

18. SULLIVAN & HOVENKAMP, *supra* note 10, at 973-74.

19. *Id.*

20. *Id.* at 972. A common term for the contracts is five years, which is probably too long a time for contestability to affect the behavior of the incumbent.

21. *Id.* at 973.

22. Fischer, *supra* note 9, at 52 (noting that the state of Florida awarded a contract to Sprint after Sprint outbid competitors and offered "to return a stunning 57.5 percent of its revenues to the state"). Previously, Florida had been receiving a 40% kickback. *Id.*

in accord with the economic theory of contestability.

B. Calling Options

Even where prisoners are required to place all calls through a particular provider, prisoners generally do not have the ability to choose between multiple calling options. The vast majority of states require that all calls made by inmates be made "collect," and therefore it is the prisoner's family or friends who actually pay for the call.²³ Prepaid calling cards are generally banned for fear that they contribute to or further a black market for contraband.²⁴

C. Cost of Calls

The cost of the phone calls varies from state to state, depending on the amount of the surcharge imposed by the company, the amount of the kickback to the state, and the amount of the cap to which the rates are subject. In some states, the rates charged by the telephone company for collect calls made from prisons are capped at the rate that would be charged on collect calls made from a pay phone outside of prison.²⁵ Of course, the surcharges do not count against the cap, so the actual rate charged for calls from inside a prison still exceeds the rate charged on external calls.

It is also important to note that telephone companies are often required by regulatory authorities to install and maintain a number of public pay phones in the area served by the phone company.²⁶ The installation of these pay phones is considered by regulators to be a compulsory public service, and this service is made mandatory by regulators who believe that greater access to pay phones increases public access to 911 emergency service. This requirement is very unpopular with

23. See *Global Telcoin, Inc.*, No. U-20784-B, 1995 WL 59684, at *1 (La. Pub. Serv. Comm'n Jan. 17, 1995) (noting that inmates are not free to choose the operator service or long-distance carrier of their choice due to concerns about fraud). How fraud would be more of a problem when the family is responsible for paying the bill is not entirely clear. Presumably, the family has long-distance service in its residence. Does the Louisiana Public Service Commission believe that the family can be trusted to pay the long-distance bill from the regular long-distance provider, but not the bill for the call from the prison? Even if the answer is yes, does that answer justify the rule precluding a prisoner from choosing a provider? The rule effectively grants the carrier the power to charge a monopoly price; presumably, as prices increase, the rate of fraud increases. So perhaps the rule creates the fraud, which in turn creates the need and justification for the rule.

24. MAINTAINING FAMILY CONTACT, *supra* note 9, at 24.

25. *AT&T Comm. of N.H., Inc.*, 79 N.H. P.U.C. 639, 639 (N.H. Pub. Util. Comm'n Nov. 14, 1994), available at 1994 WL 854500. Of course, the rate cap is usually set to match the highest rate charged at the peak times by any provider in the state.

26. *Re Rates and Charges Paid by Pay Telephone Service Providers to Local Exchange Carriers*, Florida Public Service Comm'n, Feb. 14, 1991, 120 P.U.R. 4th 530 at *28.

telephone companies, which are often required to install and maintain pay phones in unprofitable locations with low call volume.²⁷ Regulators have generally been responsive to these concerns and have allowed telephone companies to increase the rate charged on all pay phones, effectively allowing the unprofitable pay phones to be subsidized by the profitable ones.

As noted above, prison pay phones have an inordinately high amount of call volume, as compared to public pay phones. Where the rates are capped, they are often capped to match the highest of the rates charged by a firm providing service outside a prison.²⁸ Also, depending on the state, the cap inside the prison does not necessarily reflect time of day discounts.²⁹ Therefore, even where the rates for collect calls from prisons are capped at the "outside" rate, the inside rate cap is based on false assumptions about phone use in the outside market. As a result, the charges for the inside calls are disproportionately higher than the cost. Inmate challenges to the rates are generally unsuccessful.³⁰

In other situations, the rates are not capped in such a manner that they correspond to the rates made for outside calls.³¹ Because the state is not paying for the calls, it seems reasonable to conclude that it would be less concerned with the cost of the calls than if it were responsible for paying the bill. Stated differently, the state receives the benefit of having a service provided, but does not have the corresponding burden of paying for that

27. *Id.*

28. Operating Practices of Alternative Operator Serv. Providers, No. U-17957, 1993 WL 561415, at *2 (La. Pub. Serv. Comm'n Sept. 23, 1993) (comparing the rates charged by four providers, and noting that guidelines required that the rate cap match the highest rate charged by one of the four).

29. *Id.* (ordering that the construction given to the rate cap be changed, allowing the rate cap to be construed to reflect time of day discounts).

30. See, e.g., *Jackson v. Taylor*, 539 F. Supp. 593, 595 (D.D.C. 1982) (holding that prison officials were immune from an antitrust claim arising out of an alleged practice of fixing the price of phone calls made from the prison); *Comm. Workers of Am. v. Pac. Bell*, 61 C.P.U.C.2d 647 (Cal. Pub. Util. Comm'n Oct. 5, 1995) (holding that the prison itself is the customer, and that prisoners were not consumers of a telephone system, and that therefore, only the prison was guaranteed access under state regulations); *Basham v. Mountaineer Power Sys.*, No. 92-1026-COCOT-C, 1995 WL 447123, at *9 (W. Va. Pub. Serv. Comm'n June 15, 1995) (categorizing prisoner complaints into four categories: "those regarding the type of system offered, those regarding whether the system complies with the Commission's rules and regulations, those regarding the functioning of the system, and those regarding the rates charged"). The West Virginia Public Service Commission found that only those claims dealing with the functioning of the system can be brought by an inmate before the Commission. *Id.* Complaints regarding the cost of the service were found not to be "entertained by the Commission in the context of a complaint case but are instead reviewed in the service provider's next rate proceeding." *Id.*

31. MAINTAINING FAMILY CONTACT, *supra* note 9, at 22.

benefit. That burden falls on the families of the inmates.

The states and the phone companies seek to justify the cost of the calls on a number of grounds. Phone companies cite to a high rate of "toll fraud," where bills are sent to invalid or incorrect addresses.³² Again, why fraud is more of a problem in the context of calls received from a prison than in the context of routine long-distance calls is not entirely clear.³³

The cost of the calls can be partially justified by the expensive security systems that are a necessary component of the prison telephone systems. Of the asserted justifications, this one has actual merit, for the security systems are clearly necessary. Nonetheless, one has to question whether the security systems currently in place are the most cost-efficient systems available. Since the service provider operates without any real threat from competition, the provider has fewer incentives to keep costs low.

Most states are candid enough to admit that the kickbacks they receive from the service provider do increase the cost of the calls for the consumer.³⁴ Nonetheless, these states argue that the telephone system is not without costs, and that it is only fair that those who use the system pay for part of the costs of the system. Of course, this argument fails to note that for the state, the system may very well be without costs. As noted above, in California, MCI installed the entire system at no cost to the state, and MCI allows state employees to make calls for free. *Effectively, the families are paying for the state's use of the system.* Isn't it only fair that those who use the system pay for part of its costs? Note that even where the system is not without cost to the state, the state earns much more from the system than it spends on the system.³⁵

A number of telecommunications providers supplying service to prisons have engaged in unscrupulous billing practices, such as:

32. See Rates, Terms and Condition for Inmate Telecomm. Serv., No. 368, 1999 WL 179812, at *2 (Ky. Pub. Serv. Comm'n Jan. 15, 1999). This view assumes that an error in billing must necessarily be the fault of the consumer, and therefore, increased prices are entirely justified. Note that when the company does not get paid, the consumers are accused of engaging in fraud. Of course, where the company charges consumers for calls that were never made or overcharges consumers for calls, then it is not fraud.

33. As prices increase, so does the rate of fraud. Therefore, it is possible that the structure of the agreements increases the cost of the calls, creating the increased fraud. Higher rates of fraud in turn create the apparent justification for the higher costs.

34. MAINTAINING FAMILY CONTACT, *supra* note 9, at 22 (admitting that the cost of the calls is affected by the "sizable commission" received by the state).

35. *Id.* at 29. After costs, New York state pocketed \$20-21 million from the commissions in 1997-1998. *Id.* Are the users merely paying their fair share for telecommunications service, or are they paying more?

programming phones to start billing before the recipient accepts the call;³⁶ imposing surcharges in excess of those allowed;³⁷ failing to discount calls made at off-peak times;³⁸ and charging for unauthorized calls.³⁹ The potential for fraud on the part of a provider is exemplified by the recent behavior of Global Tel*Link Corporation ("Global"), which operates inmate phone systems in several states. Global was found to have engaged in a number of illegal activities, including the following: starting the internal time clock on the phones either 15 or 36 seconds ahead,⁴⁰ charging rates that exceed the authorized rates,⁴¹ adding time and money to each call,⁴² and billing a call more than once.⁴³ Another provider was found to

36. Equal Access Corp., No. FCU-90-5, 1991 WL 519835, at *3 (Iowa Util. Bd. Feb. 6, 1991).

37. MCI Telecomm. Corp., No. 960617-TL, 1998 WL 391688, at *1 (Fla. Pub. Serv. Comm'n June 9, 1998) (noting that MCI imposed surcharges that were, at various times, \$2.00 or \$1.25 in excess of the permitted surcharge). This matter also illustrates the difficulty of dealing with the overcharges. Pursuant to a previous Florida Public Service Commission order, MCI attempted to issue refunds to those individuals who were overcharged. *Id.* A large number of those persons could no longer be located, however. MCI requested that the funds be placed in a trust fund for prisoner advocacy groups, but the Commission ordered an immediate rate reduction. *Id.* As a side note, when MCI sent bills to invalid addresses, MCI cried "fraud" and went to the Commission.

38. Equal Access Corp., 1991 WL 519835, at *3.

39. *Id.* at *4. See also La. Pub. Serv. Comm'n v. Quest Correctional Comm., Inc., No. U-21318, 1996 WL 532269, at *4 (May 14, 1996) (noting that one firm used 309 pay stations at a prison, but the company only paid for 168 of those lines). This case is not necessarily important for its impact on the rate charged on inmate calls, but it could impact the quality of service. Also, it is illustrative of an additional manner in which a provider could circumvent any applicable regulations.

40. La. Pub. Serv. Comm'n, No. U-20784, 1995 WL 59684, at *5 (Jan. 7, 1995) (noting that this programming is made more significant by the fact that Global, as well as most telephone companies, round up the time of the call to the next minute).

41. *Id.*

42. *Id.* at *6 (noting that Global may have used as many as twenty-five different add-on techniques).

43. *Id.* at n.5. Apparently, Global would also combine these techniques. For example, on any particular call, Global may have started the internal clock ahead, charged a rate in excess of that allowed, added on additional time and money to the call, and then billed the customer more than once for that same call. The total amount of the overcharges, in Louisiana alone, was calculated to be \$1,243,000. *Id.* at *11. See also Global Tel*Link Corp., No. 93-C-0801, 1995 WL 782983 (N.Y. Pub. Serv. Comm'n Dec. 11, 1995) (order approving a reimbursement plan submitted after Global's practices were discovered); Global Tel*Link Corp., 68 C.P.U.C. 2d 149, at *6 (Cal. Pub. Util. Comm'n Sept. 20, 1996) (noting that on the date of the decision, Global had refunded over \$3.4 million). This behavior is not limited to Global; a different company operating in Louisiana was found to have committed similar acts: charging customers for two calls that were made at the same time, charging customers for calls that were not even made from the facility, overcharging calls, and adding time to calls. La. Pub. Serv. Comm'n v. Vendormatic, Inc., No. U-22115, 1998 WL 201681 (La. Pub. Serv. Comm'n Feb. 17, 1998). In any event, the situation could be worse: in Texas an inmate is allowed to make one collect call every ninety days, so long as the inmate has

have overbilled two-thirds of the interstate calls made from a particular prison.⁴⁴ In Florida, in a five-year time span, three companies were found to have overbilled consumers by a total of over \$2.7 million.⁴⁵

D. States' Use of Revenue

States use the revenue derived from the commissions in different ways. Most states claim to use the funds to offset costs of operating a prison, either by funding programs operated by the Department of Corrections, or by placing the funds in a prisoners' welfare account.⁴⁶ For example, the proceeds may be used to fund health care for prisoners, cash for work-release, and bus tickets home.⁴⁷ Interestingly enough, one state was recently found to have failed to establish "controls to safeguard, reliably account for, or efficiently use the telephone commission monies and was using inmate funds for staffing positions not directly related to the Trust Fund."⁴⁸

Other states place the funds in the general revenue coffers.⁴⁹ Where this is the case, the surcharges on the phone calls can be said to take on the nature of a regressive tax that is imposed exclusively upon the families of those who are incarcerated. One has to question whether such a tax regime is the best method, from a tax policy standpoint, of funding the activities of the state.

However the funds are ultimately used by the state, one could go even further than calling the surcharges a "tax." Indeed, Oliver Wendell Holmes might suggest that from the point of view of the person paying the surcharges, the surcharges are not so much a "tax" as they are a "fine."⁵⁰ That is, the ultimate consumer would likely view the excessive cost of the calls as an additional punishment imposed on the consumer for no reason

refrained from violating any prison rules. James M. Odatto, *Targeting Profits from Prison Cells*, TIMES UNION, Sept. 4, 2000. Texas does not receive a kickback. MAINTAINING FAMILY CONTACT, *supra* note 9, at 28-29.

44. See *Vendormatic*, 1998 WL 201681, at *4 (finding that of the 90,879 tolled calls, Vendormatic correctly charged 13,849, undercharged 12,157, and overcharged 64,873).

45. MAINTAINING FAMILY CONTACT, *supra* note 9, at 27.

46. Fischer, *supra* note 9, at 52.

47. Odatto, *supra* note 43.

48. FLORIDA LEGISLATURE OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY, FOLLOW-UP REPORT ON THE INMATE WELFARE TRUST FUND AND INSTITUTION-BASED ACCOUNTS ADMINISTERED BY THE DEPARTMENT OF CORRECTIONS, No. 96-46 (1997).

49. See *Swan Renews Call*, *supra* note 14; Fischer, *supra* note 9, at 52. See, e.g., JOINT LEGIS. AUDIT, *supra* note 6, at 36.

50. See Oliver Wendell Holmes, *The Path of the Law*, 10 HARV. L. REV. 457, 461 (1897).

other than that a family member of the consumer has been incarcerated. Looking at the matter in this light would raise a number of justice, fairness, and perhaps even due process concerns.⁵¹

E. *The Need to Maximize Access to Telephones*

Most prison officials recognize that it is in the best interests of all parties affected by an incarceration that the incarcerated person maintain contact with friends and family.⁵² That is, prison officials seem to recognize that contact with family is very important not just for the prisoner, but also for the state and the family of the prisoner. Contact with families helps officials maintain order in the prisons, and it facilitates the prisoner's reintegration into society. Therefore, the stated goal of many official policies relating to inmate use of telephones is that prisoner access to telephones should be maximized.⁵³

III. TELECOMMUNICATIONS ACT OF 1996

In 1996, Congress revolutionized the telecommunications market by passing the Telecommunications Act of 1996 (the Act). The impetus behind the Act was a finding that "[t]echnological advances would be more rapid and services would be more widely available and at lower prices if telecommunications markets were competitive rather than regulated monopolies."⁵⁴ In light of this finding, Congress sought to introduce competition into the telecommunications market, for the purpose of

51. Therefore, most lawmaking bodies would likely look at the matter from an entirely different perspective. Most certainly, the phone companies and the states that receive a commission would not take this point of view.

52. See *Rates, Terms, and Condition for Inmate Telecomm. Servs.*, No. 368, 1999 WL 179812, at *1 (Ky. Pub. Serv. Comm'n Jan. 15, 1999). The Department of Corrections testified before the Commission that the Department intended that those who pay for collect phone calls made from prisons pay no more than the amount for a similar call made from outside the prison. *Id.* See also *Ala. Pub. Serv. Comm'n v. All Customer-owned, Coin-Operated Tel. Serv. Providers Serving Confinement Facilities*, No. 23871, 1995 WL 337071, at *1-2 (Ala. Pub. Serv. Comm'n May 1, 1995) (citing testimony of an economic expert retained by the Alabama Attorney General's Office who testified that no valid purpose would be served by establishing higher rates for inmate phone calls). In both cases, the Public Service Commissions agreed to cap the rates on calls made from prison to match outside rates. *Rates, Terms, and Condition for Inmate Telecomm. Servs.*, 1999 WL 179812, at *3; *Ala. Pub. Serv. Comm'n*, 1995 WL 337071, at *5.

53. One has to wonder how often the actual attitudes of prison officials reflect this stated policy. Upon receiving information that the state had just been sued for allegedly monopolizing the provision of telephone services to prisoners, one state official's only response was that "[i]nmates do not have a constitutional right to make phone calls." *Suit Targets Rates*, *supra* note 15.

54. H.R. REP. NO. 104-204, at 48 (1995).

protecting consumers from potential monopoly abuses.⁵⁵ To promote competition, Congress removed state and local barriers to entry, required providers to interconnect with competitors, and placed an affirmative duty on the commission and the states to ensure that universal service is available at rates that are just, reasonable, and affordable. These changes will be analyzed individually.

A. *Removal of Barriers to Entry*

With respect to the removal of the state and local barriers to entry, the Act has broad provisions for the preemption of state and local regulations that impede the Act's operation. The Act provides: "No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service."⁵⁶ These provisions grant the FCC the authority to set aside any state law that is deemed inconsistent with the Act's purpose.⁵⁷

Clearly, by allowing only one company to be the provider of service to a prison, the state has put into place a "legal requirement" that prevents entry into the market. This legal requirement is essentially a government-granted monopoly. Section 253(a) of the Act is directed squarely against this practice, because the practice is inconsistent with free entry into the market. Further, the state requirement conflicts with the congressional belief that technological advances would be more rapid, and services would be available at lower prices, if telecommunications markets were competitive marketplaces rather than regulated monopolies.

B. *Interconnection*

Congress further imposed a general duty on telecommunications providers to interconnect with the facilities and equipment of other telecommunications providers.⁵⁸ The incumbent is to be compensated by

55. *Id.*

56. See 47 U.S.C. § 253(a) (Supp. V 1999).

57. See 47 U.S.C. § 253(a), (d) (Supp. V 1999). See also S. REP. NO. 104-230, at 126 (1996) (noting that the bill preempts almost all state and local barriers to competition).

58. See 47 U.S.C. § 251(a) (Supp. V 1999); 47 C.F.R. § 51.305 (2000). Note that § 251(a) requires a provider to share infrastructure and facilities. Section 251(b)(4) imposes the duty to afford access to rights-of-way, poles, conduits, and ducts. 47 U.S.C. § 251(b)(4) (Supp. V 1999). However, local exchange carriers would "not be required to take any action that is economically unreasonable or that is contrary to the public interest." 47 C.F.R. § 59.2(a) (2000). The obligation to negotiate interconnection applies to a local exchange carrier that is determined by the FCC to have market power in providing exchange services. S. REP. NO. 104-230, at 117 (1996). The Act creates the potential for competition where formerly there was a natural monopoly.

the competitor at reasonable terms, which generally has been construed to mean at the costs of the incumbent.⁵⁹ Essentially, these provisions require a provider to lease its facilities to a rival. The provisions are designed to allow rivals to enter the market without sustaining a substantial amount of sunk or fixed costs up front; when the rival leases access, these costs are allocated over time. Therefore, the provision lowers a barrier to entry, thereby promoting competition in the market.

The interconnection provisions, if applied to the contracts, would require an incumbent to lease the necessary facilities and lines to a rival. Theoretically, both providers could share everything, even the already existing security system. Recall that the states seek to justify the exclusive dealing provisions by asserting that the costs are too high for two firms to both install and operate systems. But by interconnecting and using one system, two firms could compete without incurring the expenses associated with installing and operating two duplicative systems. Further, it is likely that competitive pressures would force each firm to drive down costs.⁶⁰ If so, then it is possible that two firms could operate at lower cost than a single firm. Finally, note that the exclusive dealing provisions also prevent interconnection.

C. Universal Service at Just Rates

To effectuate the ultimate goal of promoting consumer welfare, Congress imposed an affirmative duty on the states to prevent unnecessarily high rates from being charged. Specifically, the Act provides that "[t]he Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable."⁶¹ Therefore, it is not sufficient for the states to promote competition; the states must also take affirmative action to ensure that all consumers have access to service at reasonable rates. The states have violated this duty in three material respects: by requiring that a commission be paid to the state, by allowing the provider to impose additional surcharges (which in part pay for the commission), and by granting a monopoly to the provider. The states have violated this duty because it is profitable for them to do so, not because the present situation is beneficial to consumers. This practice is in direct

59. Some question has arisen as to how "costs" should be measured. See, e.g., William J. Baumol & Thomas W. Merrill, *Deregulatory Takings, Breach of the Regulatory Contract, and the Telecommunications Act of 1996*, 72 N.Y.U. L. REV. 1037, 1039 (1997) (arguing that efficiency requires pricing by forward-looking costs, and that the Takings Clause does not preclude pricing on a forward-looking basis).

60. What costs are left? Managerial, administrative, billing, and any other costs which do not pertain directly to the costs associated with the lines and facilities.

61. 47 U.S.C. § 254(i) (Supp. V 1999).

conflict with the congressionally imposed obligation to ensure that service is provided at reasonable and affordable rates.

Ultimately, one is left with the distinct impression that state requirements are in direct conflict with both the plain terms and the spirit of the Act. Consequently, the FCC should exercise the powers conferred by the Act, and preempt any state contract that requires a commission to be paid to the state, or that grants a monopoly to a provider.

IV. EFFICIENCY ANALYSIS

The alleged superiority of law and economics, as a body of jurisprudence, is based on the fact that it uses economics to test the validity and/or efficacy of rules, and the fact that economics is a less subjective measure than those measures employed by rival jurisprudential theories.⁶² Generally speaking, law and economics suggests that the role of the law is to maximize wealth, and that all laws should be construed so as to maximize wealth. Wealth maximization is, by some, measured in dollars; dollars are less subjective than general notions of "justice" or "fairness." Therefore, an efficiency analysis performed on two competing pieces of legislation, for example, is a less subjective measure of the merits of the proposed laws than a discussion about the comparative justice of the respective proposals, or the impact of the proposals on natural rights.

Whose wealth is sought to be maximized: consumer wealth or social wealth? What is the difference between the two? Social welfare is defined as the sum of consumer welfare and producer welfare. The distinction between the two is important because they may not necessarily point in the same direction. A particular policy may enhance social wealth but adversely affect consumer wealth, or vice versa. Those who subscribe to law and economics would generally assert that maximization of wealth should be analyzed in terms of social welfare.⁶³ The issue arises, however, because the current approach in both antitrust jurisprudence and telecommunications law generally involves looking to consumer welfare.⁶⁴

Perfect competition maximizes consumer welfare better than monopoly. Competition is also preferable to regulation, perhaps even where it is a natural monopoly that is being regulated.⁶⁵ Therefore,

62. There is at least some merit to this assertion. It is probably easier to prove that a particular rule is inefficient than it is to prove that the same rule is unjust.

63. See GUIDO CALABRESI, *THE COSTS OF ACCIDENTS* 18-20 (1970)

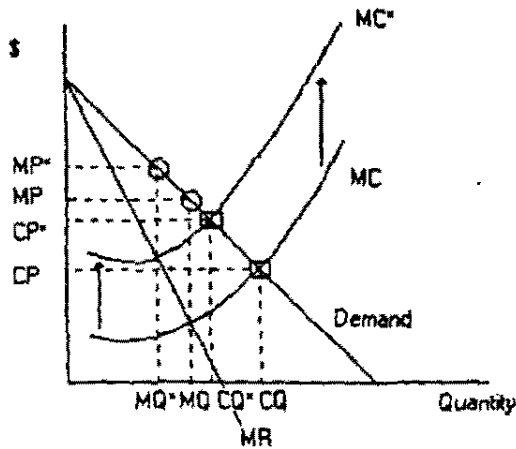
64. ROBERT BORK, *THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF* 81 (1978).

65. At least, this Article posits that this must be Congress's belief, for this is really the only justification for the Act.

competition generally maximizes consumer welfare better than monopoly or natural monopoly.

The diagram below depicts the economic consequences of the current structure of the contracts.⁶⁶ In it, the label "MP" denotes the price that would be charged by a monopoly. Similarly, "MP*" denotes the monopoly price when a commission is required by the state. "CP" refers to the competitive price, and "CP*" refers to the competitive price when a commission is required. "MQ" refers to the quantity that a monopoly would be expected to produce. "MQ*" denotes the quantity produced by a monopoly when a commission is imposed. "MC" represents the marginal cost of production. "CQ" represents the quantity produced when there is competition. And, finally, "CQ*" represents the quantity produced when there is competition and a commission is imposed.

Figure 1. Prices Charged by Monopoly and Competitive Firms



A monopolist will produce its goods at a level such that marginal revenue equals marginal cost. Therefore, the amount produced by a monopoly may be determined by locating (on Figure 1) the intersection of the marginal revenue and marginal cost curves. Note, however, that the actual price charged by a monopoly is that which corresponds to the demand for the amount produced. Accordingly, the price charged by a monopoly may be determined by drawing a vertical line from the intersection of the marginal revenue and marginal cost curves to the

66. See SULLIVAN & HOVENKAMP, *supra* note 10, at 61-62.

demand curve. Therefore, the circles depict the price charged and the quantity produced by a monopolist. Contrast the output of and price charged by a monopoly to that of a firm operating in a competitive environment. A firm operating in a competitive market will produce its goods such that the market price equals the marginal cost of production. Stated differently, in competition, firms will also price their goods at the price that corresponds to the intersection of the marginal cost and demand curves. Therefore, the rectangles in the diagram depict the price charged and quantity produced by a firm operating in a competitive market. Clearly, competition results in a lower price and higher output than a monopoly.

The upward shift in the marginal cost curve represents the effect of a kickback. The consequences of the imposition of the kickback are higher prices and less output. Clearly, from the perspective of the consumer, a monopoly and commission are disfavored. But consumer dislike for a policy does not necessarily imply that the policy is detrimental to social welfare. Recall that social welfare takes into consideration the effect of the policy on the consumers and the producers. If the consumers are harmed to the extent of *X*, and the producers are benefited to the extent of *X*, then the policy simply causes a transfer of wealth from the consumers to the producers; in the aggregate, the policy does not adversely affect the social welfare. In other words, because the policy does not adversely affect the social welfare it is not to be condemned on those grounds.

From the social welfare perspective, is the monopoly, or the commission, preferable to the alternatives? There are two theories that may be used to answer this question. The theory of Pareto Optimality states that a new rule is superior to the old when the new rule improves at least one person's position and no person's position is devalued by the rule's adoption.⁶⁷ The principal shortcoming of this theory is that it has limited application. Often, someone will lose under the new rule, and even if the amount of the loss is negligible, the theory is unable to evaluate the value of the new rule.

An alternate approach is taken by the Kaldor-Hicks theory. This theory holds that a new rule is superior to the old rule when the winners (under the new rule) gain more than the losers lose.⁶⁸ Judge Posner modifies this theory in one important respect: Posner asserts that a legal rule is wealth maximizing if the winners would be willing to pay more for its adoption than the losers would be willing to pay for the rule not to be

67. ROBERT COOTER & THOMAS ULEN, *LAW AND ECONOMICS* 12, 43 (3d ed. 2000); DAN DOBBS, *LAW OF REMEDIES* 30 (2d ed. 1993).

68. DOBBS, *supra* note 67, at 30; COOTER & ULEN, *supra* note 67, at 44.

adopted.⁶⁹ It is crucial to note that the winner does not actually have to pay the loser. As long as payment is theoretically possible, the rule is wealth maximizing. Willingness to pay is one measure of people's preferences, and it is easier to measure "dollars versus dollars" than it is to measure "preferences versus preferences." In this respect, Posner's version of the Kaldor-Hicks theory is superior (in its application) to the traditional formulation of Kaldor-Hicks. Accordingly, this Article will define wealth maximization in terms of Posner's version of Kaldor-Hicks efficiency. Concerns of "fairness" will be given no weight in assessing the various policies.⁷⁰

V. STRUCTURE OF THE CONTRACTS AND GAME THEORY

This Section consists of two subsections. The first subsection will develop a series of payoff matrices, and use the matrices to show how the existing structure of the contracts arose. The second subsection will use game theory to demonstrate that the award process causes the inefficiencies of the current contracts to perpetuate.

A. *The Payoff Matrix*

A payoff matrix is a simple device. Here, two matrices will be used to depict the incentives to the state for adopting a particular structure to the contracts. The first matrix illustrates the incentives to the state for structuring the contract so the state receives a commission on the revenues derived by the telephone company. The second matrix depicts the incentives for structuring the agreement so a single telephone company will provide the service.

1. State Incentives for Requiring Commissions

In Table 1, the left column depicts the potential political gain that may be derived from structuring the contracts in a particular manner.⁷¹ Note that

69. Richard A. Posner, *Utilitarianism, Economics, and Legal Theory*, 8 J. LEGAL STUDIES 103, 119-22 (1979).

70. According to Kaplow and Shavell, a normative assessment of legal policy should be driven exclusively by considerations of social welfare, and notions of fairness should be given no independent weight in assessing the policy. Louis Kaplow & Steven Shavell, *Fairness Versus Welfare*, 114 HARV. L. REV. 961, 966 (2001).

71. Political gain is the political currency or benefit the state receives when it grants benefits to its residents. There is an inherent difficulty in attempting to measure the political gain to the state. This difficulty is augmented when one seeks to compare the projected political gain to the financial gain, and to determine which is greater. One measure of political loss (or gain) to the state is the negative value of the financial gain (or loss) to the state. That is, if the state passes a tax that benefits the state to the extent of "3" (dollars or units), then the state has caused the consumer to incur a financial loss of "3." Since the state

if the state continues to require the commission, the state sustains a political loss of "1."

Table 1. Incentives for requiring commissions

	Political Gain	Financial Gain	Total Gain
Kickback	-1	4	3
No Kickback	1	-4	-3

The families of prisoners are the only group harmed by this policy: they are not an organized body, nor are they seen as a particularly sympathetic group. Similarly, the state may derive some political gain from structuring the contract in favor of the families, but the gain would not be significant. The company is largely ambivalent about the requirement of the kickback, because most of the cost of the commission can be passed on to the consumer in the form of surcharges.⁷²

The right column in Table 1 represents the potential financial gain to the state. As the table indicates, the state can require the commission, and thereby derive a financial gain of "4," and a total gain of "3." If the state waives the commission, the state suffers a financial loss to the extent of the forgone commission.⁷³ The total loss if the state waives the commission is "3." The state clearly has a strong financial incentive to

has imposed this financial loss on the consumer, the state suffers a political loss of "3" because the consumer's political support of the state wanes when the consumer is made to pay the state.

This approach is not without defects. First of all, a person's political support of the state is not necessarily based on, or even influenced by, one decision made by the state. Further, the state receives the aggregate amount derived from the individual payments made by all the consumers. If used properly, this aggregate amount can benefit the state more than the smaller amounts benefited the individuals. While there is probably an inverse relationship between political support and financial costs imposed on consumers, it is unlikely that the relationship is a one-to-one ratio. When the Postal Service increases the price of a stamp by a penny, for example, my political support of the Postal Service does not fall by a corresponding amount. To the consumer, the loss of one penny is miniscule; but the Postal Service's loss of everyone's pennies matters a great deal. In the situation of the phone contracts loss is imposed on a group that does not wield great political clout. Therefore, the state does not suffer a substantial political loss when it imposes a financial loss on this particular group. For purposes of this illustration, the Author assumes that the ratio between financial gain to the state and political loss to the state is four to one. Therefore, the state will have a financial gain of four and political loss of one.

72. Of course an additional surcharge would result in higher total prices, causing demand for the service to fall and a loss of sales for the company. In this particular market, however, it is likely that the demand is not very responsive to price changes.

73. The lost commission is an opportunity cost. This cost must be factored in because the state will have to replace the lost commission.

require that the telephone company pay a commission. As political incentives are substantially outweighed by financial incentives, a rational state will require a commission.

2. Incentives for Utilizing an Exclusive Dealing Provision

In Table 2, the column on the left depicts the estimated net political gain or loss. Three groups will exert political pressure on the state: families, the incumbent, and the prospective competitor. As before, the value of the political loss (or gain) to the state is generally equal to the negative value of the financial gain (or loss) to the constituents.⁷⁴

Table 2. Incentives for Utilizing an Exclusive Dealing Provision

	Political Gain	Financial Gain	Total Gain
Exclusive	-0.073	\$0.083	0.01
Non-exclusive	0.073	-\$0.083	-0.01

Assume that a monopolist can charge a monopoly price and derive a profit of \$0.25 on each phone call. If there is competition, then the incumbent can no longer charge a monopoly price. The incumbent will be forced to accept a lower profit level of \$0.15 per phone call. Therefore, an incumbent stands to have a financial gain of \$0.10 per phone call if the state grants the incumbent a monopoly.⁷⁵

If the competitor is allowed to enter the market, the competitor will earn \$0.15 per phone call. Conversely, if the competitor is never allowed to access the market, then the competitor loses the opportunity to derive \$0.15 in revenue. This lost opportunity has a value equal to the lost revenue. Therefore, the competitor will lose \$0.15 if the state grants a monopoly to the incumbent.

As discussed *infra*, the cost difference between monopoly and competition, to the consumer, is \$0.225. Accordingly, the consumer will incur a financial loss of \$0.225 if the state grants a monopoly. For the reasons previously discussed, however, the political loss incurred by the state because of monopoly will be much less than the direct financial loss incurred by the consumer.⁷⁶ In this hypothetical, the political loss is valued

74. Although the political gain (or loss) is calculated on the basis of the negative value of the financial loss (or gain), the political gain is not adjusted to reflect tax consequences (i.e., the state's financial gains will factor in additional tax revenue). The Author does not believe that this difference in the calculation of the gains or losses undermines the analysis.

75. These numbers are the same as those used in the schematics in Part VI, *infra*.

76. Again, it is unlikely that there is a one-to-one ratio in this scenario. The families are

at \$0.023.⁷⁷

Therefore, the political loss incurred by the state, when the state grants a monopoly, is calculated as follows:

$$0.10 - 0.15 - 0.023 = -0.073.$$

The political gain derived from permitting competition is calculated in the same manner, but by using the negative values of the same numbers:

$$-0.10 + 0.15 + 0.023 = 0.073.$$

The middle column in Table 2 depicts the direct financial gain that may be derived by the state if the telephone company is allowed to be the exclusive service provider. If the state grants a monopoly, then the state will derive \$0.25 in revenue from the commission charged to a monopolist. But the state will also earn a commission if the state allows competition. Therefore, to determine the financial gain derived solely from the grant of monopoly, one must first take the difference in the commission between monopoly and competition. If the commission derived by the state in the context of a monopoly is \$0.25 per call, and the commission derived from a single phone call in a competitive environment is \$0.175, then the difference is as follows:

$$\$0.25 - \$0.175 = \$0.075.$$

The state will also receive income tax⁷⁸ from the profit derived by the company. The additional amount of tax from granting a monopoly⁷⁹ at a 10% tax rate is calculated as follows:

$$\$0.075 \times 10\% = \$0.008.$$

Finally, the state's revenue is calculated by adding the tax revenue to the amount of the commission:

$$\$0.075 + \$0.008 = \$0.083.$$

Consequently, the state has a financial incentive of \$0.083 to grant a monopoly. If the state refrains from granting a monopoly, then the state incurs an opportunity cost of \$0.083. When the financial incentives are

unorganized, politically weak, and perhaps even uninformed about the effect of monopoly. The state may more easily justify the monopoly than the commission. Further, a monopoly is less likely to inflame the public than a commission. That is, the requirement of the commission may appear to the public as driven by greed, bad tax policy, or bad money management. All of the state's justifications for the commission revolve around the need to generate revenue, and this is rarely popular. The state can more easily justify a monopoly to the American public, which is easily confused by rhetoric (even where the rhetoric is baseless). The Author therefore assumes that on this particular issue, the ratio of political loss to financial gain is ten to one.

77. $\$0.225 / 10 = 0.023$.

78. This assumes a 10% tax on net income.

79. Monopoly profit is higher than the profit derived by a firm operating in a competitive market. When the state grants a monopoly, they are able to tax this higher profit level.

considered in conjunction with the political incentives, it is apparent that the state, when acting to maximize its own welfare, will grant a monopoly.

When examined in the aggregate, these financial incentives are far from trivial. Tables 1 and 2 are calculated on a per-call basis,⁸⁰ but as of 1998 nearly two million persons were incarcerated nationwide. If each inmate makes one call per week on average, the numbers above can be multiplied by 104 million to reflect the number of calls placed in one year.

Taken together, Tables 1 and 2 indicate that the state has both political and financial incentives to require a commission and to grant a monopoly to the telecommunications service provider. A rational state will act on these incentives and structure the contracts accordingly. Unless the underlying incentives change, this behavior will continue indefinitely.

B. Game Theory in the Awarding of Contracts

Game theory is an economic theory that can be used to gain insight into legal rules. The theory is used to identify the optimal strategy for one actor when the conduct of that actor depends on a course of conduct chosen by another actor.⁸¹ As applied to the present contracts between the state and the telecommunications provider, game theory will demonstrate that the award process perpetuates the inefficiencies of current contracts. Game theory will show that the award process creates a permanent market failure that will not correct itself until the process is modified.

Assume that there are only two firms competing, Company X and Company Y. Each competes for a single contract. Further assume that both X and Y know that the state will award the contract on the basis of the size of the kickback offered to it. The companies are both motivated by profit, and therefore each will conduct itself to maximize its own profit.

80. Also note that the "cost of the call," as used here, is much lower than the actual cost in the real world.

81. See COOTER & ULEN, *supra* note 67, at 34-38.

Table 3. Game theory in the award of contracts

		Company X	
		<i>Large Commission</i>	<i>Small Commission</i>
Company Y	<i>Large Commission</i>	A (High, High)	C (Low, High)
	<i>Small Commission</i>	B (High, Low)	D (Low, Low)

The choice variable for each firm is the commission offered to the state. The firms may offer either a large commission or a small one. The terms of "high" and "low" in Table 3 indicate the payoff for each firm under each choice, given the choice of their rival.⁸² In the context of this game, the large commission strictly dominates the low commission for each firm. The payoff to Company X when choosing a large commission is greater than when choosing a small commission, regardless of the bidding strategy of Company Y. The same is true for Company Y. Both firms will therefore choose the high commission, competitive outcome "A." While both would be marginally better off if they would choose to cooperate, there is no incentive to cooperate because there is no guarantee that a rival firm will also choose the cooperative solution. Each firm chooses the competitive solution because they are better off than if they cooperated, but their rival did not.

The solution to this game highlights a fundamental defect in the award process. Taken as a whole, the award process inevitably leads to a contract containing an exclusive dealing provision and a high commission for the state. With the telephone company and the state acting rationally in their own best interests, the consumer inevitably loses. Until the incentives change, or until the state begins to elevate the interests of the consumer above those of the state, this situation will continue indefinitely. This is a

82. The payoff for a large commission is "high" because by offering a high commission, the firm is more likely to be awarded the contract. Since the telecommunications service provider does not pay the cost of the commission itself, the fact that the commission is high does not reduce the payoff to the firm. If the firm were the only bidder, it would offer a low kickback, because the lower the kickback, the higher the demand for making calls.

permanent nontransitory market failure.

VI. ANALYSIS OF THE CONTRACTS

This Section will introduce alternative structures to the contracts, and then determine whether the adoption of an alternate structure would be an efficiency-enhancing move. To provide a meaningful frame of reference, the discussion will begin with a brief analysis of the present contracts. In the discussion of each alternative, a number of simplifying assumptions will be made. These assumptions will remain the same in the analysis of each alternative.

The company is assumed to be responsible for the full cost of the security system, and this cost is included in the company's total cost in administering the contract. Where the state requires a commission, the commission will be calculated as 50% of gross revenues. The commission is passed directly on to the consumer in the form of a surcharge added to the cost of the call. Where the state waives the commission, the surcharge is eliminated. Assume that the state imposes a tax of 10% on the net income of the provider(s). Further, and perhaps most importantly, the analyses of the competitive arrangements presume that the market is not a natural monopoly.⁸³

Finally, each structure will be analyzed in terms of the cost of, or revenue derived from, a single phone call. Two phone calls will be depicted in a situation where competition is permitted, only to illustrate the effect of competition. However, where two calls are depicted, the analysis will still focus on costs and revenues associated with one call.

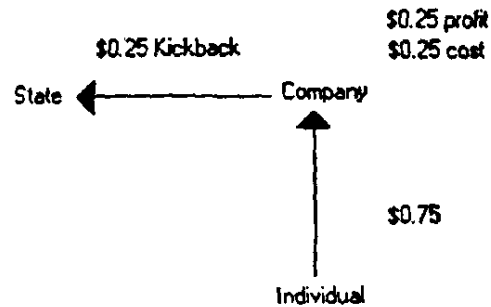
A. Present Contracts

Figure 2 illustrates the structure of the present contracts. The individual pays \$0.75 for a phone call. Of this amount, \$0.25 represents the commission, and this amount passes through the company to the state. The remaining \$0.50 is retained by the telephone company. Of that amount, \$0.25 is allocated to the costs incurred by the company in providing the services, and \$0.25 represents the monopoly profit retained by the company.

The profit of \$0.25 is taxed by the state at the rate of 10%. Therefore, the state derives \$0.025 in tax revenue, and \$0.275 in total revenue.

83. Proving the validity of this assumption is beyond the scope of this paper. The Author believes the assumption accurately reflects the actual operation of the market. The evidence supporting the assertion of natural monopoly is weak. See *infra* Section II.A.

Figure 2. Diagram of present contracts



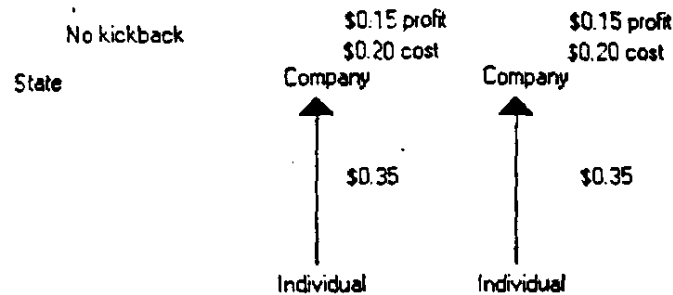
B. No Kickback, Competition

Consider a situation where the state forgoes the kickback and allows competition to be introduced. In this scenario, illustrated in Figure 3, the individual pays \$0.35 for the phone call. Of that sum, the company retains \$0.15 profit, and \$0.20 is allocated to cover the costs of providing the service. The company's total cost of providing the service falls from \$0.25 to \$0.20. The cost savings are driven by the threat of competition and the related need to increase efficiency and to reduce costs. Also, after a competitor has been introduced, the incumbent may pass on a portion of sunk costs to the challenger, reducing the incumbent's fixed costs.⁸⁴ Competition forces the companies to accept a lower profit level, and therefore only \$0.15 of profit is retained by the company.⁸⁵

84. This prediction assumes that the companies are subject to a regime like the Telecommunications Act of 1996, which requires an incumbent to lease access to a competitor. The lease payments are driven by the incumbent's costs. Presumably, when the incumbent acquired the contract, the incumbent incurred a high number of one-time expenses. Under traditional accounting techniques, these expenses can be proportionally allocated to each call. Therefore, when the challenger leases access to the system, the incumbent may pass these expenses onto the challenger, effectively relieving the incumbent from incurring those expenses.

85. As prices continue to fall, consumer use of the system will increase, and companies' fixed costs may therefore be allocated over a greater number of calls, although variable costs will increase.

Figure 3. Diagram of competition without kickback



As Figure 3 illustrates, the state earns no revenue from commissions, but it taxes the company's revenue of \$0.15. Therefore, the state derives revenues of \$0.015. For the consumer, the cost of the telephone call has fallen from \$0.75 to \$0.35, saving her \$0.40. Therefore, this scenario is a significant improvement from a consumer welfare point of view.

There is also room for a bargain in this situation. That is, this scenario represents a change that would increase the social welfare. The caller would theoretically pay up to \$0.40 to acquire this arrangement, because she will save this amount on the cost of a call. Therefore, if the caller paid \$0.39 for this arrangement, then she would be better off by \$0.01. The telephone company would require at least \$0.10 to offset the loss of profit, and the state would require at least \$0.26 to forgo the kickback and the taxes imposed on monopoly profits.

$$\$0.40 > \$0.26 + \$0.10.$$

Consequently, the individual could pay the state and the company these amounts, and the social welfare would be improved by an amount between \$0.02 and \$0.05, depending on the precise nature of the bargain struck by the parties.

The adoption of this structure would be an efficiency-enhancing move. It is important to note that the individual need not actually compensate the state or the company. As long as compensation is theoretically possible, the new regime is an improvement over the old.

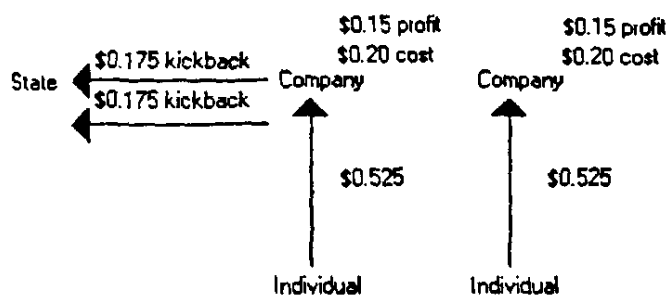
Note also that this structure most closely resembles the public policy of the Act. Here, there are no state barriers to entry in the telecommunications market. This structure also most advances consumer welfare by "ensur[ing] that universal service is available at rates that are just, reasonable, and affordable."⁸⁶

86. 47 U.S.C. § 254(i) (Supp. V 1999).

C. Kickback, Competition

In this scenario, presented in Figure 4, the state continues to require a commission, but it allows competition to be introduced. The company's costs fall to \$0.20,⁸⁷ and the threat of competition forces the telephone company to accept a lower level of profits. Therefore, the company's gross revenues are \$0.35. The state earns \$0.015 in tax revenue and a commission of \$0.175. Accordingly, total state revenue is \$0.19. The commission is passed on to the consumer. Therefore, the individual pays \$0.525 for a phone call.

Figure 4. Diagram of competition with kickback



In the present-day situation (the scenario presented in Section VI.A, with a kickback and no competition), the cost of the call is \$0.75. Recall that in the first alternative (presented in Section VI.B, with no kickback and competition), the cost of the call is \$0.35. In the second alternative, presented in Figure 4, the cost is \$0.525. From a consumer welfare perspective, this alternative is clearly preferable to the first, but the second maximizes consumer welfare better than the first and current-day arrangement.

As the consumer would save \$0.225 in this option over the current situation, he would be willing to pay up to \$0.225 for this alternative. The state would require \$0.085 to offset the loss in kickback and taxes. The company would require \$0.10 to offset the loss in profit.

$$\$0.225 > \$0.10 + \$0.085.$$

Note that here, too, there is room for a bargain; the consumer could pay the state and the telephone company these amounts, and social welfare would be improved by \$0.04. Therefore, this arrangement also enhances

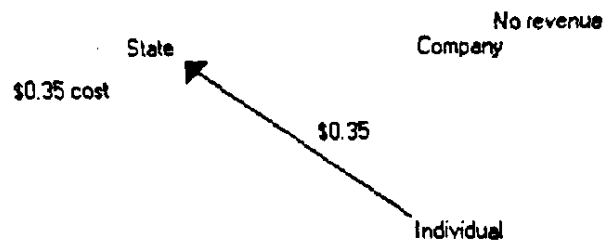
87. The costs fall for the reasons discussed in the previous scenario. See *supra* Part VI.B.

consumer welfare and social welfare.

D. State-Owned Enterprise

This alternative, represented by Figure 5, depicts a situation in which the state would assume the role of the private company and provide the services directly to the individual.

Figure 5. Diagram of state-owned enterprise



As the state would be responsible for the operation of the phone system, the system itself would presumably be less efficient than a similar system operated by a private firm. Consequently, the state operates at a higher cost level, \$0.35, than does the private company. The consumer would only pay \$0.35 for a phone call, however. This scenario would also bring about an improvement in consumer welfare from the present-day situation.

In order to adopt such an arrangement, the state would require the consumer to pay an additional \$0.275 to compensate the state for the loss of kickback and taxes, and the company would require the consumer to pay \$0.25 to replace the forgone profits. The consumer would be willing to pay up to \$0.40, but no more than that.

$$\$0.40 < \$0.275 + \$0.25.$$

Therefore, there is no room for a bargain here. Consequently, while this arrangement would not enhance social welfare, it would enhance consumer welfare.

E. Comparison of Approaches

How the four aforementioned approaches compare to one another is presented in Table 4.

Table 4. Comparison of approaches

	Present Contracts	No Kickback, Competition	Kickback, Competition	State- owned enterprise
Company	\$0.25	\$0.15	\$0.15	\$0
State	\$0.275	\$0.015	\$0.19	\$0
Individual	-\$0.75	-\$0.35	-\$0.525	-\$0.35
Net Social Gain/Loss	-\$0.23	-\$0.185	-\$0.185	-\$0.35

Of the available options presented, either "competitive" regime is more efficient than the present structure, from a Kaldor-Hicks standpoint. This is so because both competitive regimes minimize the net social loss better than the present regime does. A lesser amount of social loss is really a social gain.

As between the two competitive regimes, the second scenario (no kickback, competition) is clearly superior from a consumer welfare point of view. The first alternative would bring about a 50% reduction in the cost of the call to the consumer, whereas the second alternative would bring about a 30% reduction.

However, both actors involved in making the structural decision—the state and the company—prefer the present structure to any other. Table 4 illustrates why. Note that if the state maintains the status quo, the state will receive \$0.275 in revenue. If the state moves to the first alternative, which would be better for the consumer, then the state will derive *only 5%* of the revenue it formerly derived.⁸⁸ By moving to the second scenario, the company will realize 60% of its former profit level.⁸⁹ Neither the state nor the company has a financial incentive to make this change, no matter how inefficient or harmful to consumers the present structure may be.

If it is theoretically possible for consumers to purchase a more competitive regime, then why do they not do so? There are a number of possible reasons. First, the consumers are probably unorganized, and any purchasing decision would require a great deal of cooperation. Second,

88. $\$0.015 / \$0.275 = \$0.05$.

89. $\$0.15 / \$0.25 = \$0.60$.

there is a cost to organizing. Third, there are transaction costs of negotiating a deal. It is possible that these costs are so high that they preclude a deal from being reached. Fourth, it is possible that the consumers lack information: they may not know of the possibility of reaching a bargain, how to organize, or who to contact to set up the transaction.

VII. CONCLUSION

The present state of affairs is inefficient. It came about because the state and the company entered into a third-party beneficiary contract, and in so doing, both actors focused only on their own welfare and neglected the so-called "beneficiary" of the contract. Ultimately, the problem with the present situation is that this behavior is entirely rational for both the states and the telephone companies. That is, it is reasonable to expect the states and the companies to place their own welfare before that of other parties. Economics presumes that actors will generally act to maximize their own welfare, and this is exactly what the states and the companies have done. In this particular context, however, the conduct of the states has created inefficiencies, which, by definition, are wasteful and socially harmful. If the goal of law is to minimize inefficiencies, then new regulation is appropriate.

The letter and the spirit of the Telecommunications Act of 1996 gives the FCC the power to regulate these contracts. The FCC should exercise this power by preempting and regulating those contracts that grant a monopoly or require that a commission be paid to the state.

ATTACHMENT A

EXHIBIT 5

Exhibit J-1
Correctional Facility Information

	Correctional Facility Name	Security Level	County	State	Correctional Facility Population	Correctional Facility Type	Operating Hours	Number of Phones	Local Lines	Long Distance Lines	International Lines
	Alderson	FPC	Monroe	WV	787	ITS	0100-2359	30	2	30	6
Complex	Allenwood	FPC	Lycoming	PA	664	ITS	0100-2359	20	3	20	3
	Allenwood	LSCI	Union	PA	1280	ITS	0100-2359	36	4	36	7
	Allenwood	MSCI	Union	PA	1108	ITS	0600-2330	25	3	28	5
	Allenwood	HSCI	Union	PA	1030	ACCO	0600-2330	40	4	37	8
	Ashland	FCI	Boyd	KY	1202	COLLECT	N/A	24	N/A	N/A	N/A
	Atlanta	USP	Fulton	GA	2777	ITS	0530-2359	70	40	80	7
	Bastrop	FCI	Bastrop	TX	1186	ACCO	0600-2330	42	5	41	10
Complex	Beaumont	FCI	Jefferson	TX	1223	ITS	0600-2359	131	21	131	21
	Beckley	FCI	Raleigh	WV	1432	ITS	0100-2359	80	13	80	12
	Big Spring	FCI	Howard	TX	1025	ITS	0600-2359	39	5	40	14
	Boron	FPC	San Bernadino	CA	508	COLLECT	N/A	29	N/A	N/A	N/A
	Brooklyn	MDC	Brooklyn	NY	947	COLLECT	N/A	43	N/A	N/A	N/A
	Bryan	FPC	Brazos	TX	786	COLLECT	N/A	32	N/A	N/A	N/A
Complex	Bulner	FCI	Durham	NC	1410	ITS	0600-2359	31	4	31	4
	Bulner	LOW	Durham	NC	764	ITS	0600-2330/2355	66	11	70	5
	Carswell	FMC	Tarrant	TX	594	ACCO	0100-2359	34	10	34	6
	Chicago	MCC	Cook	IL	606	COLLECT	N/A	39	N/A	N/A	N/A
Complex	Coleman	LSCI	Sumter	FL	1608	ITS	0100-2359	144	8	142	14
	Coleman	MSCI	Sumter	FL	1525	ITS	0100-2359			Included in LSCI Coleman above	
	Cumberland	FCI	Alleghany	MD	1242	ACCO	0100-2359	73	3	73	4
	Danbury	FCI	Fairfield	CT	1034	COLLECT	N/A	34	N/A	N/A	N/A
	Dublin	FCI	Alameda	CA	1206	ITS	0100-2359	36	11	40	7
	Duluth	FPC	St Louis	MN	502	ITS	0600-2359	17	3	18	4
	Eglin	FPC	Okaloosa	FL	818	ACCO	0530-2345	40	13	40	3
	El Paso	FPC	El Paso	TX	318	COLLECT	N/A	18	N/A	N/A	N/A
	El Reno	FCI	Canadian	OK	1322	COLLECT	N/A	40	N/A	N/A	N/A
	Englewood	FCI	Jefferson	CO	991	ITS	0600-2330	42	16	40	4
	Estill	FCI	Hampton	SC	1264	ACCO	0600-2359	80	4	66	7
	Fairton	FCI	Cumberland	NJ	1248	ACCO	0100-2359	41	6	40	10
Complex	Florence	AD MAX	Freemont	CO	344	ACCO	0600-2359	26	7	28	3
	Florence	FCI	Freemont	CO	1450	ITS	0600-2345/2359	52	5	50	7
	Florence	USP	Freemont	CO	1139	ACCO	0600-2200	44	4	36	4
	Fort Dix	FCI	Burlington	NJ	3606	ACCO	0100-2359	120	11	120	14
	Fort Worth	FMC	Tarrant	TX	1446	ITS	0600-2359	43	15	55	8

Exhibit J-1
Correctional Facility Information

Correctional Facility Name	Security Level	County	State	Correctional Facility Population	Correctional Facility Type	Operating Hours	Number of Phones	Local Lines	Long Distance Lines	International Lines
Greenville	FCI	Bond	IL	1303	ACCO	0600-2359	57	3	57	7
Guaynabo	MDC	San Juan	PR	1023	ITS	0100-2359	52	36	53	18
Jesup	FCI	Wayne	GA	1482	ITS	0600-2359	80	8	80	14
La Tuna	FCI	El Paso	TX	1294	COLLECT	N/A	40	N/A	N/A	N/A
Leavenworth	USP	Leavenworth	KS	2122	ITS	0100-2359	54	8	54	6
Lewisburg	USP	Union	PA	1499	COLLECT	N/A	64	N/A	N/A	N/A
Lexington	FMC	Fayette	KY	1689	COLLECT	N/A	40	N/A	N/A	N/A
Lompoc	FCI	Santa Barbara	CA	941	ITS	0600-2345	25	4	27	4
Lompoc	USP	Santa Barbara	CA	1910	ITS	0600-2359	55	6	51	7
Loretto	FCI	Cambria	PA	846	ACCO	0100-2359	15	3	20	4
Los Angeles	MDC	Los Angeles	CA	915	COLLECT	N/A	37	N/A	N/A	N/A
Manchester	FCI	Clay	KY	1297	ITS	0600-2330	66	5	66	7
Marianna	FCI	Jackson	FL	1372	ITS	0600-2359	42	5	42	7
Marion	USP	Williamson	IL	668	ITS	0600-2359	15	3	21	3
McKean	FCI	McKean	PA	1387	ACCO	0100-2359	42	3	40	4
Memphis	FCI	Shelby	TN	705	COLLECT	N/A	38	N/A	N/A	N/A
Miami	FCI	Dade	FL	1031	COLLECT	N/A	60	N/A	N/A	N/A
Miami	FDC	Miami	FL	1470	ACCO	0100-2359	96	46	96	14
Milan	FCI	Washtenaw	MI	1411	ACCO	0100-2359	53	5	50	6
Millington	FPC	Shelby	TN	264	ITS	0600-2145	22	15	20	2
Montgomery	FPC	Montgomery	AL	731	COLLECT	N/A	38	N/A	N/A	N/A
Morgantown	FCI	Monongalia	WV	805	ITS	0100-2359	28	6	28	4
Nellis	FPC	Clark	NV	443	COLLECT	N/A	18	N/A	N/A	N/A
New York	MCC	New York	NY	829	COLLECT	N/A	37	N/A	N/A	N/A
Oakdale	FCI	Allen	LA	1161	ITS	0600-2330	40	0	40	7
Oakdale	FDC	Allen	LA	910	ITS	0100-2359	40	2	20	20
Oklahoma City	FTC	Oklahoma	OK	1049	ACCO	0100-2359	66	7	66	6
Otisville	FCI	Orange	NY	1101	COLLECT	N/A	38	N/A	N/A	N/A
Oxford	FCI	Adams	WI	1186	ITS	0200-2359	22	4	25	4
Pekin	FCI	Tazewell	IL	1415	ACCO	0600-2359	55	3	57	5
Pensacola	FPC	Escambia	FL	467	COLLECT	N/A	20	N/A	N/A	N/A
Petersburg	FCI	Prince George	VA	1309	ITS	0100-2359	40	5	40	4
Phoenix	FCI	Maricopa	AZ	1340	ITS	0530-2330	50	13	51	7
Ray Brook	FCI	Essex	NY	1091	ITS	0600-2359	40	3	41	6
Rochester	FMC	Olmsted	MN	851	ITS	0100-2359	31	4	31	5

Exhibit J-1
Correctional Facility Information

Correctional Facility Name	Security Level	County	State	Correctional Facility Population	Correctional Facility Type	Operating Hours	Number of Phones	Local Lines	Long Distance Lines	International Lines
Safford	FCI	Graham	AZ	687	COLLECT	N/A	20	N/A	N/A	N/A
San Diego	MCC	San Diego	CA	897	COLLECT	N/A	40	N/A	N/A	N/A
Sandstone	FCI	Pine	MN	719	ITS	0100-2359	19	4	20	6
Schuylkill	FCI	Schuylkill	PA	1381	ACCO	0100-2359	34	4	34	7
Seagoville	FCI	Dallas	TX	1310	COLLECT	N/A	53	N/A	N/A	N/A
Sey John	FPC	Wayne	NC	429	COLLECT	N/A	26	N/A	N/A	N/A
Sheridan	FCI	Yamhill	OR	1932	ACCO	0600-2359	54	2	40	6
Springfield	USMCFP	Greene	MO	1028	ITS	0600-2359	37	6	39	7
Talladega	FCI	Talladega	AL	1269	COLLECT	N/A	40	N/A	N/A	N/A
Tallahassee	FCI	Leon	FL	988	ITS	0700-2330	56	11	61	10
Term Island	FCI	Los Angeles	CA	891	COLLECT	N/A	39	N/A	N/A	N/A
Terre Haute	USP	Vigo	IN	1608	ITS	0100-2359	36	5	34	4
Texarkana	FCI	Bowie	TX	1620	ITS	0100-2359	20	5	20	3
Three Rivers	FCI	Live Oak	TX	1438	COLLECT	N/A	48	N/A	N/A	N/A
Tucson	FCI	Pima	AZ	743	COLLECT	N/A	32	N/A	N/A	N/A
Waseca	FCI	Waseca	MN	340	ITS	0100-2359	46	4	48	4
Yankton	FPC	Yankton	SD	516	COLLECT	N/A	20	N/A	N/A	N/A
Yazoo	FCI	Yazoo	MS	74	ITS	0100-2359	53	5	53	7
TOTALS	88			97579			3850	474	2831	422

ATTACHMENT A

EXHIBIT 6

Communications Daily, April 28, 2003

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Communications Daily

April 28, 2003, Monday

SECTION: TODAY'S NEWS**LENGTH: 1051 words****HEADLINE: STATE REGULATORS COURTED BY ILECs AND IXCs ON UNE-P ROLE****BODY:**

BOSTON -- ILECs and IXCs on both sides of the UNE-P debate pitched their respective views to state legislatures Fri. at the National Conference of State Legislatures (NCSL) Spring Conference here. A panel Fri. summarized the new role of state PUCs in using "impairment" criteria from the FCC at the local level in determining whether to keep UNE-P. The predictable messages from AT&T and MCI to keep the UNE-P liberal and by Verizon "to consider local investment" and eliminate the UNE-P were somewhat misdirected in a room filled with state lawmakers, few of whom were likely to have telecom as their top priority.

Final language on the Triennial Review is expected from the FCC next month. Much speculation remains on its details as the order by a closely divided Commission was based on several last-min. compromises. The FCC representative on the panel, senior counsel Cathy Carpino, who is involved with writing the broadband section of the draft, limited her discussion to publicly known information from the original Feb. Commission news release. She did say with some pride that the impairment tests the FCC would send to state regulators were "by far the most comprehensive and rigorous" that the Commission had devised.

"State PUCs inherit a very large role in UNE-P cases," AT&T senior counsel Richard Rubin said. He saw little debate with UNEs intended for large businesses that used high- capacity loops -- DS-1 and above. Under the new rules the FCC presumptively will conclude there's no impairment to competitors, meaning ILECs won't be required to unbundled those elements, he said. A state PUC will have 90 days to make a contrary finding. "The big fight will be for the UNE- P for the mass market," Rubin said. The Commission will presumptively find CLECs are impaired if they're unable use a UNE-P to serve mass-market locations such as residential and small business customers. PUCs will have 9 months to determine whether market facts in their jurisdiction don't support that presumption using impairment criteria the FCC will identify, he said: "We don't know what this criteria is. Hopefully, it will leave room for PUCs to exercise their judgment" and rely on their local experience.

Finding impairment for the mass market should be "a no- brainer" to state regulators, Rubin said. Unlike ILECs, competitive carriers always must incur significant extra costs to extend their customer loops to their own switches, he said, alluding to a complex diagram that showed digital cross-connects, optical switches, DS-3 transport and other equipment a CLEC needed to colocate if the UNE-P weren't available. "These are things the incumbent doesn't have to do," he said: "The ability of competitors of provide a service without the UNE-P is extremely impaired."

Asking state regulators to make "pro-investment" policy, Verizon Asst. Vp-Internet Link Hoewing offered the familiar argument that the UNE-P regime served as a disincentive to ILEC investment in new networks that it knew it must share with competitors. "The more that is shared in the network -- at below cost -- the less incentive competitors have to invest," he said. Recounting the decline of telecom in the last 3 years, Hoewing warned that "the economy may not recover without telecom, which represents 4% of GDP." His warning was an argument designed to play in Mass., a state that recently has lost 160,000 jobs, primarily in telecom and Internet firms. "PUCs can make a major dent in getting investments started in your state," he said.

Less convincing were Hoewing's arguments that without the UNE-P CLECs still had access to Bell networks through resale or colocation, adding that he had seen telephone switches on E-bay for "\$100,000 or so." "CLECs can buy equipment," he said. Rubin retorted that "on resale, the RBOC earns the entire profit it would have received if the line were sold to a customer under the peculiar structure of the Telecom Act." Colocation also isn't inexpensive, he said -- AT&T has spent up to \$10 billion "and has only part of the network necessary to compete on a facility basis." Facility-based competition to ILEC voice does exist, Hoewing countered, pointing out that Verizon was losing business to wireless services, voice-over-cable and even e-mail on the Internet -- all facilities-based competitors.

Odd man out on the panel was Rick Cimerman, senior dir.- state telecom policy of NCTA, which represents cable operators. He said the broadband portion of the FCC's Triennial Review would "be most important in the long run." The UNE-P is tied to competitive voice, a service that remains "a cash cow but with declining revenues." In the future, "voice will be an adjunct to other services" such as cable modem or DSL broadband "and will be thrown in for free," Cimerman said. The "general framework where new fiber investments will have different regulatory treatment" than existing networks "is a sensible decision," he said.

The FCC order will give ILECs significant UNE relief for broadband service capabilities and "the FCC got it wrong on broadband issues," MCI Vp-Public Policy Joan Campion said. Aside from a 3-year phase-out of copper line-sharing, she said access to hybrid fiber/copper loops would be limited, which "limits competitors' ability to provide broadband services" such as DSL. Campion and Rubin agreed that the FCC decision would have a significant effect on broadband competition "eventually." If Verizon can supply DSL, but AT&T and MCI can't economically, they effectively are locked out of the local voice market, Campion said: "DSL must be part of the bundle."

Campion worried that a duopoly for broadband -- DSL provided by only the ILECs vs. cable modem service -- would be the result of the new FCC rules. Cimerman disagreed, saying an FCC inquiry opened last week on providing broadband services over power lines, a service that FCC Chmn. Powell has called a potential 3rd network into the home. "If anyone has more money than the phone company, it is the electric utilities," he said. Cimerman also cited the expanding market for Wi-Fi hot spots, "and with [News Corp. CEO Rupert] Murdoch buying DirecTV, satellite broadband should be making a comeback." -- John Spofford

LOAD-DATE: April 26, 2003

ATTACHMENT A

EXHIBIT 7



June 3

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The armored courtesy phone is easy to install and simple to maintain.

Applications

- House phone
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- Speed dial phone
- Inmate phone
- Courtesy phone
- Security phone

	Emergency phone Hot line phone Free call phone
Features	<ul style="list-style-type: none"> • Heavy-duty armored handset is hearing aid compatible (HAC) and has an anti-static receiver. • Can be used as a stand alone single line phone or on a PBX as an extension phone. • Calling card service compatible • Works with most auto-dialers and call controllers • Tamper resistant locking system • Re-enforced window for customized instructions cards • Built in volume control button
Weight	7 Lbs
Warranty	1 Year (See More Information on Warranty Policy)
Dimensions	10.6"L x 5.4"W 2.7"H
Additional Pictures	
Options	
Lead Time	Usually ships same day UPS Ground Shipping Chart - see how long your package will take
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With a 52" handset add \$10.00

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Features	<ul style="list-style-type: none"> · Heavy-duty 32" armored handset is hearing aid compatible (HAC). · Armored modular hook switch lever. · Armored modular keypad with metal buttons and bezel that is water, fire and shock resistant. · Highly polished stainless steel faceplate with re-enforced instruction card window. · Calling card service compatible. · Work with most auto-dialers and call restrictor. · Tamper resistant locking system. · Accommodate most smart boards
Weight	27 Lbs
Warranty	2 Year (See More Information on Warranty Policy)

Dimensions	
Additional Pictures	
Options	
Lead Time	Usually ships same day UPS Ground Shipping Chart - see how long your package will take
Technical Specifications	
Instruction Manual	
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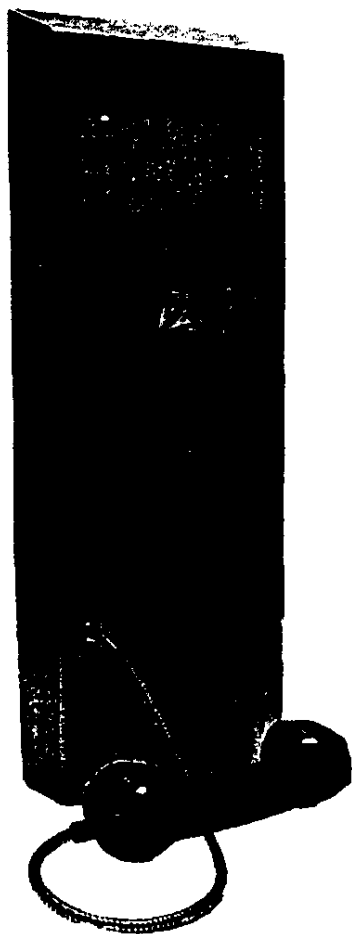
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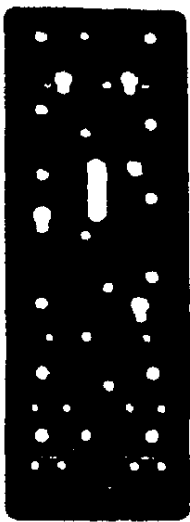
Mounting Options

Upgrade to a 52" Handset \$10.00

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The Full size coinless phone is a large, full featured phone designed for use in locations where strength and reliability is needed.

This wall-mounted unit is made of durable 14-gauge stainless steel, and is protected with tamper resistant security screws. It has a built-in volume control button, and a re-enforced window for customized instruction cards.

Description	<p>The armored courtesy phone is easy to install and simple to maintain.</p> <p>Applications</p> <p>House phone Employee phone Speed dial phone Inmate phone Courtesy phone Security phone Emergency phone Hot line phone Free call phone</p>	
Features	<ul style="list-style-type: none"> • Heavy-duty armored handset is hearing aid compatible (HAC) and has an anti-static receiver. • Can be used as a stand alone single line phone or on a PBX as an extension phone. • Calling card service compatible • Works with most auto-dialers and call controllers • Tamper resistant locking system • Re-enforced window for customized instructions cards • Built in volume control button <p>Same footprint as a bell style for easy installation on a backplate.</p>	
Weight	15 Lbs	
Warranty	1 Year (See More Information on Warranty Policy)	
Dimensions	5"L x 7.5"W 21"H	
Additional Pictures	 <p>Optional Mounting Backplate</p>	
Options	Mounting Option : Backplate	

Lead Time	Usually ships same day UPS Ground Shipping Chart - see how long your package will take
Technical Specifications	
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ATTACHMENT A

EXHIBIT 8

REPORT OF THE

STATE CORPORATION COMMISSION'S
DIVISION OF COMMUNICATIONS

ON RATES CHARGED TO RECIPIENTS
OF INMATE LONG DISTANCE CALLS

TO S. VANCE WILKINS, JR.
SPEAKER OF THE HOUSE OF DELEGATES

COMMONWEALTH OF VIRGINIA
RICHMOND
2000

EXECUTIVE SUMMARY

During the 2000 Session of the General Assembly the House Committee on Rules considered House Joint Resolution ("HJR") 262, which requested the State Corporation Commission ("SCC") to study the rates charged to recipients of long distance calls placed by inmates held in state prisons, and local and regional jails. While HJR 262 was not reported, the House Committee on Rules determined that the issues raised in the resolution were important and should be reviewed by the SCC.

By letter, S. Vance Wilkins, Jr., Speaker of the House of Delegates, requested that the SCC's Division of Communications undertake a study of inmate calling. The Speaker provided a copy of HJR 262 as a guidance document. HJR 262 requested that the SCC 1) examine the current charges for inmate calls and 2) make recommendations on any alternatives for the provision of telephone service to inmates.

The Staff of the Division of Communications contacted or met with representatives of the state inmate telephone system, various local/regional inmate telephone systems, state and federal entities charged with oversight of inmate facilities, an association of inmate calling service providers, and inmate families. In addition, we received approximately 30 letters from inmates and their families. Information was gathered regarding the specific rates and surcharges of different companies, alternatives that have been implemented by other inmate facilities, and specific problems encountered with the current state system.

The study discusses collect calls, associated surcharges, and options available to the recipients of inmate collect calls. The current Virginia Department of Corrections contract with MCI WORLDCOM Network Services is discussed along with a comparison of the state rates and various rates for local and regional inmate telephone providers. Attachment 3 to the study provides a detailed comparison of the rates and surcharges for intrastate (intraLATA and interLATA) and interstate inmate and non-restricted automated collect calls.

As requested, the study sets forth modifications that could be implemented to revise the current inmate telephone system along with providing alternatives for the current state and local/regional systems. Of those, we believe there are two which hold the most promise for allowing reductions to calling rates. First, the Legislature should consider requiring the reduction or elimination of the commissions that VDOC or other inmate facilities may collect from the inmate telephone system provider. Any reduction from the current commission level should be passed through to users by reducing the current applicable intrastate and interstate charges or surcharges. Second, we suggest that VDOC and DIT undertake a study to evaluate the feasibility and cost of implementing a debit inmate telephone system in state facilities. This should include feasibility of whether local and regional facilities could be included in such a system.

While providing modifications and recommendations, we believe it is important that before any modification or alternative is adopted, the resulting rates/surcharges, potential

impact on inmate families, and the security and safety for the individual facility and the general public should be considered.

**Report of the State Corporation Commission's
Division of Communications
On Rates Charged To Recipients Of
Inmate Long Distance Calls**

**I.
INTRODUCTION**

During the 2000 Session of the General Assembly the House Committee on Rules considered House Joint Resolution ("HJR") 262, introduced by Delegate James F. Almand, which requested the State Corporation Commission ("SCC") to study the rates charged to recipients of long distance calls placed by inmates held in state prisons, and local and regional jails. While HJR 262 was not reported because of an effort to reduce the number of legislative study resolutions, the House Committee on Rules determined that the issues raised in the resolution were important and should be reviewed by the SCC.

By letter dated March 10, 2000, S. Vance Wilkins, Jr., Speaker of the House of Delegates, requested that the SCC's Division of Communications undertake a study of inmate calling. The Speaker provided a copy of HJR 262 (Attachment 4) as a guidance document, and requested that the Division's findings and recommendations be reported by December 1, 2000. HJR 262 requested that the SCC 1) examine the current charges for inmate calls and 2) make recommendations on any alternatives for the provision of telephone service to inmates.

In gathering information for the study, the Division of Communications met with or contacted various individuals or groups, including the following:

- Inmate Calling Service Providers Coalition.
- Citizens United for Rehabilitation of Errants – Virginia (“CURE – Virginia”).
- Virginia Department of Corrections (“VDOC”).
- Federal Bureau of Prisons (“Federal BOP”).
- California Department of Corrections (“CA DOC”).¹
- Colorado Department of Corrections (“CO DOC”).
- Tennessee Department of Corrections.
- Pay Tel Communications.
- Evercom Systems, Inc., d/b/a Correctional Billing Services.
- ASC Telecom, Inc.², and
- MCI WORLDCOM Network Services (“MCI WORLDCOM”)³

On April 19, 2000, the SCC received a letter from Delegate James F. Almand requesting information on two issues, one relating to the study and one relating to docketed inmate complaint cases pending before the SCC.⁴ Delegate Almand asked how the public could participate in the current study and the pending complaint cases. A response letter was forwarded to Delegate Almand on May 17, 2000. The response included, as an attachment, a form letter from the Staff, which informed individuals of the study and invited comments.

The Staff received approximately 30 letters from inmates and family members. One letter/petition was signed by 53 inmates. The major issues expressed in these letters

¹ CA DOC representatives made an on site visit to the offices of the Federal Bureau of Prisons in Washington D.C. Attachment I includes their analysis of the Federal BOPs inmate telephone system and its applicability to the California corrections system.

² Pay Tel Communications, Evercom Systems, Inc., d/b/a Correctional Billing Services, and ASC Telecom, Inc., provide local and regional inmate calling services in Virginia.

³ MCI WORLDCOM currently holds the VDOC contract to provide inmate telephone service to state correctional facilities.

⁴ Robert E. Lee Jones, Jr. v. MCI WORLDCOM Network Services of Virginia, Inc., MCI WORLDCOM Communications of Virginia, Inc. (collectively “MCI WORLDCOM”), Case No. PUC990157 and Jeffrey D. Barnes v. MCI WORLDCOM, Case No. PUC990246

were: 1) that the calls are too expensive; 2) there are problems with the inmate telephone system (blocks being placed on phones; numbers not working; cut offs before time limit reached); and 3) the amount of commission paid and that the commission is not used for the inmates' benefit. These issues echo the statement made to the Staff during its August 28, 2000, meeting with CURE – Virginia.

The 1996 Appropriation Act directed the Joint Legislative Audit and Review Commission (“JLARC”) to examine various issues related to the VDOC’s inmate telephone system. The JLARC study was presented to the Governor and General Assembly in January 1997. The study made eleven recommendations (Attachment 2). They addressed issues such as comparable rates and surcharges for inmate calls compared to similar non-inmate calls, extension of the time limit on inmate calls, commissions paid to the state and its use to benefit inmates, participation by the Department of Information Technology (“DIT”) in the inmate telephone system, provision of inmate calling statements to inmates, independent audits of timing and billing of calls, consideration of call recipients input during contract negotiations, and advanced notice of any rate/surcharge increases. While some of the recommendations have been acted upon (e.g. audits and comparable rates and surcharges for inmate calls v. similar non-inmate calls), others have not been adopted and remain outstanding.⁵

The SCC has adopted rules governing the regulation of interexchange carriers (“IXCs”) and payphone providers. In its *Rules Governing the Certification of Interexchange*

⁵ The Division of Communications believes that some of the outstanding recommendations made in the JLARC study continue to be viable today.

*Carriers*⁶ ("IXC Rules") (20 VAC 5-400-60), the SCC allows facilities-based IXCs to request authority to set rates based upon competitive factors, pursuant to Va. Code § 56-481.1. This section states that the SCC, after making a determination that the services will be provided on a competitive basis, may grant the IXC authority to set its rates based on those competitive factors. This means that an IXC may price its services on a market driven basis without reference to cost or rate base regulation. As of this date, no carrier has been denied such pricing authority.

Additionally, many of the providers of local and/or regional facilities' inmate calling systems are non-facilities based ("resellers") IXC providers⁷. At present, the SCC does not regulate the provision of long distance services by resellers.

The SCC has adopted *Regulations for Pay Telephone Service and Instruments* ("Pay Telephone Rules") (20 VAC 5-400-90) pursuant to Va. Code §§ 56-508.15 and 56-508.16.⁸ These rules established certain requirements that payphone providers had to meet including access to other carriers and price limits. The Pay Telephone Rules also address the potential application of the rules to pay telephone instruments found in confinement institutions. The SCC exempted confinement service providers from these rules, but retained its authority to revisit this exemption should circumstances change.

⁶ Case No. PUC840017, Order issued June 29, 1984.

⁷ Resellers of IXC services have no facilities of their own. They purchase services from facilities-based IXCs and repackage and/or reprice the services and sell them under their name.

⁸ Case No. PUC930013, Order issued November 24, 1993.

II.
EXAMINATION AND COMPARISON OF THE CURRENT RATES
AND CHARGES FOR INMATE TELEPHONE CALLS

Calls from Virginia inmate facilities, whether state, local, or regional, are made on a collect basis. A collect call, whether handled on a fully automated basis or with the use of a live operator, is one type of operator assisted service where the individual originating the call is not the person paying for it. Collect calls from inmate facilities, as with any collect call, are paid for by the recipient and not by the inmate. Additionally, as with all collect calls, the call is not connected until the receiving party takes some affirmative action. This affirmative action indicates the called party's agreement to accept and pay for the collect call. Most, if not all, inmate telephone systems include a brand before the collect call is accepted which informs the called party that the collect call is from a correctional facility and the name of the caller. Some, if not all, inmate telephone systems give the called party the ability to request the maximum cost of that call, refuse to accept the call, and to restrict additional calls from that inmate to the called party's number.

In addition to the per-minute rate for long distance calls or the flat rate for local calls there is an associated surcharge for handling a collect call. A collect call can be either a local or interexchange call. An interexchange call can be further defined as an intrastate (interLATA or intraLATA) call, interstate call, or international call. While the SCC has jurisdiction only over local and intrastate calls, this study compares both intrastate and interstate rates and charges for inmate collect calls with the applicable rates and charges for non-inmate collect calls.

VDOC currently has a contract with MCI WORLDCOM to provide the inmate telephone system to all state facilities. As the comparisons below and information found in Attachment 3 show, the rates charged for inmate collect calls⁹ are comparable to those charged to MCI WORLDCOM's other customers and to those charged by other carriers. MCI WORLDCOM is currently charging persons accepting collect calls from state facilities a \$1.55 station to station surcharge for intraLATA calls and a \$2.25 station to station surcharge for an intrastate interLATA call. The per minute intraLATA usage rates vary from a low of \$.048 to \$.40 per minute depending on the associated territory of the incumbent local telephone company ("ILEC"), and are distance and time of day sensitive. The per minute rates (and surcharge) for an intraLATA state inmate collect call currently match the collect call rates of the ILEC. The intrastate interLATA usage rate ranges between \$.15 and \$.37 per minute dependent on distance and time of day.

As a comparison (MCI WORLDCOM's tariff has various classifications of operator assisted calls) other intrastate station to station collect calls (but not using an MCI WORLDCOM provided access number) are rated at a \$2.15 surcharge with usage rates ranging between \$.15 and \$.37 per minute. A collect call using an MCI WORLDCOM provided access number (e.g. 1-800-COLLECT) has a per call surcharge of \$1.97 with usage rates between \$.1499 and \$.3699 depending on the time of day and distance.

Inmate collect calls are generally handled on a fully automated basis. The state inmate telephone system includes security features such as a per call time limit, an approved "only" call list, and the recording of calls. While such security features are standard in the state prison system, many of the local or regional facilities may not have all the same security features.

⁹ MCI WORLDCOM's MCI Maximum Security Collect calls rates

While MCI WORLDCOM currently has the contract to provide inmate calling services to state facilities, other providers, including AT&T, provide inmate calling services to local and regional facilities throughout the Commonwealth. The following charts show a comparison of charges for selected collect calls for both inmate and non-inmates.

Intrastate intraLATA collect call

Duration: 15 minutes

Time of Day: Day

Distance: 110 miles

	Rate	Surcharge	Total charge
MCI WORLDCOM inmate	\$ 3.29	1.55	4.84
MCI WORLDCOM automated	5.25	2.15	7.40
AT&T inmate	9.00	3.95	12.95
AT&T automated	9.00	4.99	13.99
Evercom inmate*	2.70 – 7.50	1.55 – 3.00	5.05 – 10.50
ASC inmate	3.29	1.55	4.84
Pay Tel inmate	5.16	1.55	6.71
Verizon Virginia automated	3.29	1.55	4.84

Intrastate interLATA collect call

Duration: 15 minutes
Time of Day: Evening
Distance: 253 miles

	<u>Rate</u>	<u>Surcharge</u>	<u>Total charge</u>
MCI WORLDCOM inmate	\$ 4.35	2.25	6.60
MCI WORLDCOM automated	4.35	2.15	6.50
AT&T inmate	10.35	3.95	14.30
AT&T automated	13.35	4.99	18.34
Evercom inmate*	3.88 – 7.50	1.80 – 3.00	5.68 – 10.50
Pay Tel inmate	5.25	3.00	8.35

* Evercom serves 20 local/regional facilities in Virginia, and uses various rate schedules. The rates in the charts represent the low and high charge based on the various rate schedules.

Interstate collect call

Duration: 15 minutes
Time of Day: Evening
Distance: 2150 miles

	<u>Rate</u>	<u>Surcharge</u>	<u>Total charge</u>
MCI WORLDCOM inmate	\$ 6.75	2.45	9.20
MCI WORLDCOM automated	13.35	4.99	18.34
AT&T inmate	10.35	3.95	14.30
AT&T automated	13.35	4.99	18.34
Evercom inmate	10.35	3.95	14.30
Pay Tel inmate	9.75	3.00	12.75

III.

OPTIONS AND ALTERNATIVES TO THE CURRENT INMATE COLLECT CALL SYSTEM

This section of the study discusses various options and alternatives to the current collect call system used by the state prisons and various local and regional facilities. The Division of Communications believes that the following issues should be considered before adopting any alternative to the current inmate collect call system.

- The resulting rates and surcharges for the inmate calls;
- The potential impact on inmate families; and
- The maximum security and safety for the individual facility and the general public.

Since the Division of Communications has no expertise in prison security and safety, this study does not address such areas.

POSSIBLE MODIFICATIONS/REVISIONS TO THE CURRENT COLLECT ONLY INMATE CALLING SYSTEM

Commissions - Require VDOC, local facilities, and regional facilities to cap, reduce, or eliminate the commissions paid to the facilities.¹⁰ This should be passed through (dollar for dollar) to reduce the surcharge and/or rates for inmate calls. If local or regional facilities use the commission as revenue for operating the facility or inmates services, it may be appropriate to establish a maximum level and require any resulting reduction in

¹⁰ Commissions or lease payments/fees are generally based on the revenues generated by the inmate calls.

the commission to be passed through (dollar for dollar) to the collect call surcharge and/or rates.

We reviewed eleven contracts of one local/regional inmate telephone service provider in Virginia. The commission or lease payment paid to the county, city or facility ranged from 20% to 40%, with there only being one contract at 40%. While the contracts, for the most part, did not contain rates/surcharges, one contract (40% commission) specifically stated that an operator assisted surcharge of \$2.75 was to be charged (interLATA intrastate and interstate calls) plus the AT&T tariffed per minute rates. Most of the contracts reviewed included a statement to the effect that the provider agreed to charge operator assisted rates that were equal to or less than the tariffed rates regulated by the SCC or the Federal Communications Commission.

The current contract between MCI WORLDCOM and VDOC includes a commission based on the revenues generated from the phones used by the inmates. The current commission is 40% and is paid into the Commonwealth's General Fund. During the study some parties voiced concern over the amount of the commission and its role in determining the winner of the state inmate telephone contract. In particular, there was a fear that there would be an incentive in the RFP process to award the contract to the vendor bidding the highest commission. In the Staff's meeting with VDOC, we were advised that in the review and awarding of the state contract the commission proposed by the bidders played a minor role in determining the outcome of the process. The payment of a commission between payphone providers and payphone location providers is a common and accepted practice around the country.

Time limits – Consider lengthening the time limit on calls (e.g. from 15 minutes to 20 minutes or more for state prisons). This time extension could reduce or remove the inmate's need for multiple or back-to-back calls to the same individual. Additionally, the overall per minute cost of the call would be reduced since the surcharge would be spread over additional minutes of use.

Example: A current 15 minute interLATA evening rated call of 100 miles has a total cost of \$6.30 (includes surcharge and per minute rate). This equals \$0.42 per minute. That same call lasting 20 minutes would cost \$ 7.65. This is a little over \$0.38 per minute, a per minute reduction of almost 10% or slightly less than \$0.04 per minute.

Today an inmate at a state facility wanting to talk to the same recipient for 20 minutes would be required to make two calls. Using the same 100 mile example above, these two calls would have a total cost of \$9.90 (including the per minute rate and two separate surcharges). This equals \$0.495 per minute. If the current inmate time limit were extended to 20 minutes, the per minute reduction in this instance would be almost 23% or slightly more than \$0.11 per minute.

Call restrictions - Revise the current system to restrict an inmate from repeatedly calling the same number (either a waiting period between calls, a limited number of calls per inmate per day, or a limited number of calls per inmate to a given number). While this

may not be a popular option for the inmates or families. it could result in lower telephone bills and lessen the financial burden on some families.

Revise the current system to allow call recipients to request an automatic block on calls from an inmate facility when a certain dollar amount (or number of calls) is reached per month.

Surcharges – Consider limits on applying surcharges to one per day per inmate, or one per day per inmate for each different number called.

Inmate education - Provide an educational packet to new inmates and each person on the “approved” call list. The packet should include information on the cost of calls, components making up the total cost of a call (surcharge and per minute rates), suggestions to maximize talk time (inmates/family have notes of topics/issues to be discussed during call to maximize talk time, take advantage of full 15 minutes), variation in rates between day, evening, and night/weekend calling periods, responsibility of the calling party and the called party.

Regulatory - Request that the State Corporation Commission exert authority over rates and charges for restricted access payphones provided to confinement facilities. The current state contract requires the contracted carrier to charge rates that do not exceed those of the “dominant” carriers. If the SCC Pay Telephone Rules were expanded to include inmate telephones,¹¹ the rates currently charged by MCI WORLDCOM would fall well below the maximum allowable charges. Therefore, if current regulation were

¹¹ There would certainly be security concerns if all the Pay Telephone Rules were applied to inmate calling (e.g. access to 800 calling).

expanded to cover inmate calls for state facilities, it would not result in a reduction. Further, if the SCC were to exercise rate authority and require reductions, this could result in a situation where no carriers would be interested in providing the service.

ALTERNATIVES TO THE CURRENT COLLECT CALL INMATE SYSTEM

Establish a debit or debit/collect inmate telephone system. Require VDOC and the Department of Information Technology ("DIT") to undertake a study similar to that performed by the California DOC¹² to implement a debit inmate telephone system ("debit system") similar to that system used by the Federal BOP. A debit system may prove to be cost effective and achieve cost savings in large prison facilities where the duration of confinement and volume of calls would be great. The federal debit system allows inmates to place direct dialed calls without a surcharge. Under this program the inmate budgets available funds between commissary needs and the need for contact via telephone with family and friends. Inmates may earn money for calls as well as family and friends having the option to deposit funds directly into an inmate's account. This places more financial responsibility on the inmate and, therefore, can lessen the burden on families. In addition, from a billing perspective since the calls are prepaid there is certainty of payment and virtually no uncollectables or bad debt.

The Staff of the Division of Communications met with Mr. Mike Atwood and Mr. David Woody of the Federal Bureau of Prisons in Washington, D.C. on September 26, 2000. We were given an overview of the federal inmate telephone system¹³ ("federal system")

¹² A copy of the CA DOC study is included as Attachment I.

¹³ Estimated number of inmates in the federal system is 125,000.

and background on the ten-year development and refinement process to get the system to its current state of operation. The federal system consists of two types of calls, direct dialed debit and collect calls.

The current federal system uses no tax dollars and is financially self-sufficient.¹⁴ While the federal system has various contracts with vendors (DynCorp, Value Added Communications), many functions of the system, such as the management of inmate accounts, are handled by federal employees.¹⁵

Inmates have the ability to make direct dialed calls with the cost of such calls being debited directly from their telephone account. Currently, direct dialed calls are rated at \$.04 per minute for local calls and \$.15 per minute for long distance calls. There is no surcharge.¹⁶ Approximately ninety-two percent (92%) of inmate calls are direct dialed. Since the cost of the call is subtracted directly from the inmates' account, the responsibility of paying for the call has been shifted from the recipient, as with collect calls, to the inmates. Inmates are paid an hourly wage for assigned work; these funds are deposited directly into the inmate's account.¹⁷ Additionally, families and friends may

¹⁴ The federal system uses an inmate trust fund for revenues from the commissary and inmate telephone system. All expenses and salaries associated with the inmate telephone system are paid from this fund.

¹⁵ The federal employees working with the inmate calling telephone system are paid from revenues from that system.

¹⁶ While there is no surcharge on the direct dialed debit calls, there is a mark-up on the cost of the call. This revenue is paid to the inmate trust account. It was also discussed that the current per-minute rate for toll calls was based on a certain level of call volume. Based on a reduction in the overall call volume at federal facilities, the Federal BOP anticipates a rate increase will be needed in the near future.

¹⁷ The inmate has one main commissary account with the ability to transfer funds from that account into their telephone account.

make contributions to the inmate's account. While there are no monthly statements provided to the inmates on their calling on an ongoing basis, an inmate can request certain information, such as the balance of their telephone account. Federal inmates also have the ability to place collect calls (limited to 120 minutes per month).¹⁸ Interstate collect calls are rated at \$.40 per minute with a \$2.45 surcharge. Each inmate has an approved call list of 30 numbers with all calls limited to 15 minutes in duration.¹⁹

The federal system has a multitude of optional security, monitoring, regulating, and reporting functions that can be used on a facility by facility basis or even by banks of phones within a facility. The prisons have the ability to restrict all calls by an inmate, limit the number of calls an inmate can make in a day and set a minimum time limit between calls. Under normal circumstances there is no limit on the number of calls an inmate can make in a day but there is a waiting period between calls.

The states of Colorado and Tennessee have implemented inmate debit telephone systems in state facilities. While there was very limited information available on the Tennessee system, the Colorado system took six months to implement and has been in operation for nine years.²⁰ Today, 57% of all inmate calls in Colorado are placed using the debit system. Colorado uses a total of 8½ employees to operate the state inmate telephone system for 15,000 inmates. Unlike the federal inmate system that does not provide any type of statement to the inmate, the Colorado system provides monthly statements of all

¹⁸ The system receives a commission of 60% on all collect calls.

¹⁹ Covers both direct dialed calls and collect calls.

²⁰ Colorado has contracts with Value Added Communications ("VAC") and MCI. Like the federal inmate telephone system, Colorado uses a trust and is financially self-sufficient.

direct dialed calls. Local calls are \$1.25, with intrastate calls being mileage sensitive with a \$1.25 surcharge. The CO DOC is in the process of negotiating for a flat intrastate rate that will be effective 24 hours a day, seven days a week.²¹ The only problem voiced by Colorado was the limited number of vendors in the inmate debit industry.²²

While VDOC has voiced concerns over the management of a debit inmate calling system, we believe the operation could be handled by DIT as previously recommended in the JLARC study.

Local or regional facilities should consider use of prepaid cards. While local and regional facilities would not necessarily have the duration of inmate stays, volume of calls, budget, or staff required to make a Federal BOP type system work, there may be other prepaid alternatives. As most local or regional facilities do not require the number of security features (example, approved calling list) required at long term facilities, a simplified prepaid system could be an option. Prepaid calling²³ cards offered by the current inmate phone service provider could be sold by the facility personnel or through vending machines. These cards could be purchased by the inmate during the booking process (when the inmate still may have access to money and/or credit cards), through a commissary, or by family and/or friends and given to the inmate during visitation. This alternative would still allow the local or regional facilities to be paid commissions on

²¹ They suggested that the flat rate per minute rate would be in the range of \$.19 - .20 with the continued surcharge of \$1.25.

²² Per Colorado only two vendors offer debit inmate calling, VAC and Global Tel Link.

²³ As a security and safety measure the prepaid cards could be paper instead of the standard plastic.

dollar amount/number of cards sold. As with the debit system discussed above, the provider is certain of payment and there are virtually no uncollectables or bad debt.

Alternatives which do not appear to have the ability to provide the continued maximum security and safety for the individual facility and the general public.

There are a number of other potential alternatives to the current inmate telephone system. Commercial collect (800-COLLECT, 800-CALL ATT, etc.), prepaid calling cards (prepaid calling cards purchased convenience/discount stores etc.), ability to direct dial calls, the use of personal 800 numbers, and multiple carriers competing within an inmate facility are some alternative services which are available to the general public. While on the surface many of these services may be seen as an option for inmate calling at state, local, or regional facilities, they appear to present increased financial risk and potential security problems for the facilities. All, at first glance, may seem to have the advantage or potential for lower cost, more choice, and/or control for the called parties. However, none of these options, as currently available, possesses the ability to provide continued security and safety for the facilities or the general public. Additionally, some of these options would fully circumvent all security measures such as approved calling lists, branding, tracking and screening of calls, and call limitations. Furthermore, many of these options, if implemented, could result in increased fraud and harassment, as well as increased uncollectables and collection expenses.

IV. RECOMMENDATIONS

This study evaluated numerous modifications and alternatives to the current collect call inmate system. Of those, we believe there are two which hold the most promise for allowing reductions to calling rates. First, the Legislature should consider requiring the reduction or elimination of the commissions that VDOC or other inmate facilities may collect from the inmate telephone system provider. Any reduction from the current commission level should be passed through to users by reducing the current applicable intrastate and interstate charges or surcharges. Second, we suggest that VDOC and DIT undertake a study to evaluate the feasibility and cost of implementing a debit inmate telephone system in state facilities. This should include feasibility of whether local and regional facilities could be included in such a system.

ANALYSIS OF THE FEDERAL BUREAU OF PRISONS INMATE TELEPHONE SYSTEM AND APPLICABILITY TO THE CALIFORNIA DEPARTMENT OF CORRECTIONS

EXECUTIVE SUMMARY

All California State Prisons have pay telephones that inmates, in certain privilege groups, can use to call family and friends. This Inmate Security Telephone System allows collect calls only. It is installed and operated by private vendors under a contract administered by the California Department of General Services (DGS). In response to complaints from inmate families about the rising cost of the collect calls, the Governor's Office asked the DGS and the California Department of Corrections (CDC) to examine alternative ways for reducing the cost of the inmate collect calls. One of the alternatives examined is conversion to a system similar to the Federal Bureau of Prisons (BOP) Inmate Telephone PIN/Debit System, which provides both direct dial and collect calls at a lower cost. The CDC conducted a review of this federal system to determine the potential cost benefit and feasibility of transitioning to a similar system in California prisons. The following is a summary of the findings.

For comparison, the BOP has 96 prisons, 31,335 employees, and approximately 124,380 inmates. California has 33 prisons and 38 camps, 45,976 employees, and approximately 160,000 inmates. The BOP extends telephone privileges to all inmates with very few exceptions, and has a telephone-to-inmate ratio of 1:26, with a monthly average of 242 called minutes per inmate. The CDC has privilege groups with only *one* group having unlimited telephone calls during nonworking hours. The number of inmates in this privilege group is roughly equivalent to the entire BOP inmate population. The CDC's ratio of telephones to inmates is approximately 1:70, with a monthly average of 76 call minutes per inmate.

The BOP has transitioned from a collect call system similar to California's system to one that provides both direct dial and collect calls. In the federal system, the costs of direct dial calls are debited "real time" from the inmate's trust fund account. To ensure accuracy, the BOP issues a Personal Identification Number (PIN) to each inmate which ties directly to their trust fund account. Currently, about 93 percent of the calls that inmates make are direct dial and 7 percent are collect. Indigent inmates can only make collect calls. The federal system has all the security features California currently has; i.e., branding, recording, real time monitoring, etc., as well as additional desirable features such as third party call detection, frequently dialed number report, approximately 25 investigative reports, etc. It has taken the BOP approximately five years to transition to this system.

The key to the success of the federal system is that it is fully integrated into a standardized automated trust fund accounting and inventory system. California does not have a similarly automated system and could not implement a PIN/Debit system without it. The basic task of developing the required connectivity alone will be very lengthy because California prisons are not on a network. Also, because of the importance of maintaining a high degree of reliability, functionality, and public and staff safety, CDC would have to fully assess security issues, costs, staffing, impact on current prison operations, as well as the impact to inmates before developing a similar system.

EXECUTIVE SUMMARY (CON'T)

The cost of both the direct dial and the collect calls are significantly cheaper than the current cost of California collect calls. The BOP's average 15 minute, long distance, direct dial call costs \$2.25 and a local direct dial call costs \$.60. Through the current State of California Pay Telephone Contracts, the average inmate family's cost for a 15 minute, intra-state, inmate collect call is \$7.50 (including surcharge), and a local collect call average is \$4.90 (including surcharge).

All of the federal government's direct dial calls are routed over the Federal Telecommunications System (FTS), which is similar to the State of California's telephone services provided through the California Integrated Information Network (CIIN). The inmate telephone system is one of the largest users of the FTS; with inclusion of the inmate telephone calls, the cost of all calls processed over the FTS has decreased dramatically. It is unknown at this time, if California could route all inmate calls over the CIIN and/or experience a similar side benefit of a reduction in the cost of all CIIN calls.

The federal PIN/Debit system requires more staff than a collect call system primarily because more administrative processes and oversight are required: i.e. managing calling list changes, PIN applications, etc. The federal system has approximately ten staff responsible for the bureauwide administrative functions and 1.5 staff responsible for the overall local administrative functions in each prison for a total of 154 staff. The CDC estimates that operating a similar system in California prisons would require ten staff for the Departmentwide administrative functions, and 2.5 staff for the overall ongoing local administrative functions in each prison for a total of 92.5 staff. In addition, CDC would require approximately 12 staff for the planning and development of the system prior to implementation.

The federal system generates enough revenue to pay for the annual \$26.8 million cost of the system and realizes an annual *net* revenue of \$26 million. The BOP experienced an increase in direct dial calls when the costs of calls were reduced after implementing the PIN/debit system. The CDC estimates that a similar system in California prisons would cost approximately \$10.8 million annually and generate approximately \$10.5 million in annual *net* revenue. Planning and development costs are estimated at \$1 million annually. It is conceivable that California may experience the same increase in calls with direct dialing capabilities that the BOP experienced which could increase the net revenue.

CONCLUSION

The Federal BOP Inmate Telephone PIN/Debit is an efficient, fully automated, security-conscious system that has reduced the cost of inmate calls dramatically. However, it has taken the Federal BOP approximately five years to fully transition this system to all prisons. *The system could provide benefits to California, but not immediately.* Additional study would be needed to develop a comprehensive needs assessment and implementation plan. With the exception of the high cost of collect calls, the current CDC system provides the necessary service to the inmates and their families and is operating well in the prisons. It is recommended that the State consider other options for lowering the cost of calls that could be implemented sooner. However, the state should continue to examine the PIN/Debit system as a prison management, security, and investigative tool, and as a long-term solution to the high cost of collect calls.

ANALYSIS OF THE FEDERAL BUREAU OF PRISONS INMATE TELEPHONE SYSTEM AND APPLICABILITY TO THE CALIFORNIA DEPARTMENT OF CORRECTIONS

INTRODUCTION:

All California State Prisons have pay telephones that inmates, in certain privilege groups, can use to call family and friends. This Inmate Security Telephone System allows collect calls only. It is installed and operated by private vendors under a contract administered by the California Department of General Services (DGS). In response to complaints from inmate families about the rising cost of the collect calls, the Governor's Office asked the DGS and the California Department of Corrections (CDC) to examine alternative ways for reducing the cost of the inmate collect calls. One of the alternatives examined is conversion to a system similar to the Federal Bureau of Prisons (BOP) Inmate Telephone PIN/Debit System, which provides both direct dial and collect calls at a lower cost.

DESCRIPTION OF THE FEDERAL BUREAU OF PRISONS PIN/DEBIT SYSTEM

The BOP began the process of installing a Federal Inmate Telephone PIN/Debit System (ITS) ten years ago. The original ITS was primarily a debit system, with very limited collect calling capability. In 1995, under a court mandate of *Washington vs. Reno et al.*, the BOP made the ITS a dual system which offered both debit and collect calling capabilities. The BOP is currently replacing the original ITS with an ITS-II system which has both capabilities. As of this report, the BOP estimates that all federal prisons will have the ITS-II within the next three months. The ITS-II system provides inmates with outbound telephone services and provides the BOP with the means to ensure the proper and lawful use of this system by inmates. The following is a list of the systems' components.

- Centralized database, network based management system that provides support, network startup, maintenance, monitoring, and operations.
- The ITS-II is the database setup for all trust fund debits which includes the commissary and the ITS.
- There is one standardized database system for all BOP facilities, which is configured independently at each prison.
- The BOP utilizes a Wide Area Network (WAN) to provide connectivity among the ITS-II systems at the prisons and to support capability for systemwide administrative operations and functions (See Attachment A for schematic).
- The federal system's telecommunications' capabilities provide outbound direct dial and collect calling services to inmates and administrative/security capabilities to BOP personnel.

DESCRIPTION OF THE FEDERAL BUREAU OF PRISONS PIN/DEBIT SYSTEM (CON'T)

- All inmate long distance direct dial calls within the United States and Puerto Rico are routed over the Federal Telecommunications System (FTS) circuits provided by the BOP. These costs are borne by the revenue from the federal system.
- Collect calling services are fully automated and do not involve the use of a "live" operator at any stage of a collect call.
- Administrative, system support, and training capabilities are located in the BOP Central Office in Washington, D.C., and in Aurora, Colorado.
- The Central Operation Facility (COF) is located at the contractor's site in Texas and an alternative COF is located in Virginia (similar to our having an Emergency Operations Center [EOC] and an alternative EOC for the telephone system).
- The original ITS equipment was purchased by the BOP with existing commissary funds.
- The ITS-II system is *vendor-owned* which includes all equipment, installation, and maintenance costs.
- 85 percent of the inmate calls are interstate; 15 percent are local and international.
- The BOP's current overall ratio of inmate telephones to inmates is 1:26.

HOW DOES THE PIN WORK AND WHAT IS ITS PURPOSE?

The Personal Identification Number (PIN) is a randomly selected, nine-digit number, by the ITS-II system that is unique to each inmate. The PIN is tied directly to an inmate's individual trust account and their preapproved telephone numbers list. The PIN is the only identifier through which an inmate can access their ITS-II account.

- Prison staff input inmate profile information into the ITS-II system on all new federal inmates creating a separate and individual inmate trust account.
- The inmate receives a random, nine-digit PIN number that stays with them throughout their incarceration. The inmate submits a list of up to 30 telephone numbers for approval.
- The PIN identifies if an inmate possesses an active ITS-II account.
- The PIN allows for customized applications for individual inmates (e.g., allows for only one specific telephone to be used, limits the number of times an inmate can call, etc.).
- Identifies the inmate when security staff are generating reports on potential abuse or illegal activity over the inmate telephone system.
- The inmate receives training at orientation on how to use the PIN and debit system.
- When an inmate is transferred to another prison, the PIN and telephone list becomes a part of the file transferred.
- The inmate's PIN number can be used at all prisons where the inmate is housed. This allows the inmate to place collect calls immediately upon arrival at the new prison.
- The inmate's account remains the responsibility of the prison where the inmate came from until the staff at the new prison changes the inmate's prison assignment.
- No financial transaction is conducted on the inmate's account except by the prison where the inmate account is designated.

HOW DOES THE PIN WORK AND WHAT IS ITS PURPOSE? (CON'T)

- The trust fund technician, at the prison where the inmate resides, has the responsibility for changing and/or deactivating the inmate's account (e.g. work group changes, suspension put on telephone access, inmate release from prison, updating inmate's calling parameters, changes to approved calling list, etc.).
- The inmate's PIN number is not reissued for ten years. If an inmate is reincarcerated within ten years, they will utilize the same PIN number.
- There are no documented security issues regarding the use of the PIN as a "commodity" among inmates since the implementation of the PIN/Debit system.

HOW DOES THE DEBIT WORK AND WHAT IS ITS PURPOSE?

When an inmate places a long distance direct dial call, the system is capable of debiting their ITS-II account automatically and in real time as the call is taking place. The system also allows the inmate to transfer funds from their commissary account to their ITS-II account for long distance direct dial calls via the telephone.

- The inmate is required to input a PIN and a valid telephone number for a call to be processed.
- The inmate can place only one call to one telephone number after entry of their PIN number.
- The system uses the PIN to determine whether the inmate possesses an active ITS-II account.
- If there is no account, the system generates an error message to the inmate and aborts the call.
- If the inmate has an active account, the system performs all required administrative checks necessary to process the call (e.g., PIN and called number correlate, inmate has sufficient funds to complete at least a two minute call, etc.).
- If any administrative checks fail, the call is denied and a descriptive message is given to the inmate indicating why the call was denied.
- Neither the inmate nor the called party can speak to, or hear the other party, until after the prerecorded "branding" is completed and the call has been accepted.
- Call charges for inmates do not begin until the called party has accepted the call.
- At no time does the system allow a negative balance in the inmate's ITS-II account.
- The call record detail is updated, along with the balance, on a real time basis and is available for reviewing by security staff immediately after the call is completed.
- Prior to the system terminating a call due to expiration of time limits or exhaustion of funds, the inmate will be informed at 60 and 30 seconds prior to the impending expiration.
- Call charges stop when either the calling or called party hangs up.
- If an inmate hangs up or otherwise terminates the call setup prior to called parties' acceptance, no deductions will be made against the inmate's account.

ACCOUNTING DATABASE

The Federal Prison Point of Sale (FPPOS) System is the accounting and inventory software package used to maintain inmates' commissary accounts, commissary inventory, and includes all inmate trust fund debits (commissary and ITS). The FPPOS commissary accounts are the *source of funds* for inmate accounts in the ITS-II system.

- Inmates can purchase commissary items that are approved by the warden at each prison. The requested items are sold to the inmates and the funds are immediately deducted from the inmate's commissary account.
- The FPPOS system and ITS-II must interact to exchange accurate credit/debit information between systems.
- The FPPOS is a standardized system and is operated on an independent Local Area Network (LAN) at each prison.
- The BOP Central Office in Washington, D.C., is capable of accessing all FPPOS LANs at each prison through the ITS-II WAN.
- The system can provide inmates with their ITS-II and commissary account balance information, along with the capability of transferring funds from their commissary accounts to their ITS-II accounts in whole dollar amounts via the telephone.
- Each prison has its own FPPOS database, which is backed up daily.
- When the inmate's call is completed, the call record data is replicated at both the Central Operation Facility (COF) and the alternative COF located in Texas and Virginia.
- The ITS-II system archives all inmate data at both COFs.
- The BOP keeps all inmate data for ten years, which includes the call record, PIN and accounting information.
- The system has several categories for management of the inmate ITS-II account:
 - The Inmate Account Information.
 - ◆ Inmate's registered number, name, prison, living unit, language, telephone restrictions, telephone list, number of times an inmate is allowed to transfer funds between accounts per day or week, etc.
 - Financial Transaction Information
 - ◆ ITS-II maintains a detailed audit record of every financial transaction made to an inmate's account and at which prison the transaction occurred.
 - ◆ Throughout the duration of a call, the ITS-II tracks time and status information regarding the call.
 - ◆ All information related to an inmate's financial transactions is immediately and automatically updated so that at all times the integrity of the account balance can be verified against the financial transactions detail audit record for that account.
 - Telephone Call Record Information
 - ◆ All calls generate a call record that can be accessible and available for reporting, analysis, or reviewing immediately upon termination of the call.
 - ◆ Call records are stored on the servers' hard drive for 12 months at the prison and archived at the COFs for ten years.

STAFFING, OPERATING COSTS AND REVENUE

The Trust Fund Branch is a component of the BOP's Central Office located in Washington, D.C. The Trust Fund Branch has approximately 30 employees including the Inmate Telephone Section and provides management and services to the BOP consistent with maintaining stability and financial integrity of the trust fund and inmate deposit fund. This branch oversees the operation of the BOP's commissary, ITS, warehouse, laundry, and clothing issue operations for approximately 124,538 inmates and prisons.

The operating costs are based on line, trunk, and WAN costs. Revenue is based upon the volume of calls made by the inmates.

- The Inmate Telephone Section is responsible for the Bureauwide and on-site implementation of the ITS-II including development of policy and procedures, oversight of daily operations, compile data on inmate use of the system, reconcile financial activities, training, and continuing technical support. Staff resources are as follows:
 - One Communications Supervisor
 - One Trust Fund Supervisor
 - Four Communications Technicians
 - Four Trust Fund Analysts
- Trust fund technicians at the prisons are responsible for creating, changing, and deactivating inmate accounts; updating inmate calling parameters; generating and analyzing call records, training the inmates on how to use the ITS; and other necessary local administrative functions. Changes to an inmate's calling list are submitted from the inmate via his counselor. The counselor verifies the information and submits the signed, authorized change to trust fund technicians. Staff resources are as follows:
 - One half of a Trust Fund Supervisor per prison.
 - One Trust Fund Technician per 2,000 inmates at each prison.
 - Total cost of Inmate Telephone Section staff, including Central Office and prison staff, is approximately \$7.5 million annually.
- The BOP runs their long distance calls over the FTS with inmate telephones being the largest user. These costs are borne by revenue from the federal system deposited into the inmate trust fund.
- Operating costs, which include, FTS per minute cost, line, trunk and WAN costs are approximately \$19.3 million.
- Federal system is self-supporting.
 - Total staff and operating expenses were \$26.8 million.
 - Per BOP, last year's *net* profit from the federal system was approximately \$26 million.

RATE STRUCTURE METHODOLOGY

Rate structure for the PIN/Debit system is based on a direct dial methodology.

- 85 percent of inmate direct dial calls are interstate (state-to-state) and 15 percent are local and international.
- The BOP realized an increase in the inmate's telephone usage with direct dial in comparison of their previous collect call system.
- The minority of inmates make the majority of calls.
- All inmates are limited to 120 minutes per month for collect calls and have unlimited minutes for direct dial calls.
- Inmate direct dial charges are separated into three categories and rates: long distance at 15 cents per minute; local at 4 cents per minute; and international which charges vary from country-to-country.
- Average number of direct dial minutes, per inmate, per month is approximately 242 minutes.
- Approximately 7 percent of all calls are collect.
- The inmate's cost for a collect call includes a \$2.45 surcharge with a \$.40 a minute rate, based on the residential rate as of February 1998.

TRAINING

The BOP Central Office staff provided training during the installation of the ITS-II. The contractor did not train the inmates or custody staff.

- Original training for the inmates on the ITS-II PIN/Debit system is performed during orientation at the prisons, as well as, on an ongoing basis.
- The trust fund technician(s) at each prison make themselves available during the inmate's mealtimes to answer questions from inmates regarding the system and how it operates.
- During installation, the BOP Trust Fund Branch, Inmate Telephone Section, provides one Trust Fund Analyst and one Communications Technician to perform training at each prison.
- Future training will become part of the curriculum of the BOP training facility in Aurora, Colorado.

SYSTEM CHANGE OUT

The BOP is currently in transition of changing out the original ITS to the ITS-II system. A change out project typically takes six to nine months.

- Schedule of installation was developed utilizing Microsoft Project.
- The BOP sends a standard memorandum from the director to wardens of the prisons installing the ITS-II system, describing the inmate's concerns and benefits of the program.
- One communications technician from central office performs site surveys at each prison.

- Six weeks prior to installation staff at the prison begin "keying" inmate-related information into a data input device supplied by the contractor.

SYSTEM CHANGE OUT (CON'T)

- Flyers are posted to notify staff and inmates of upcoming upgrade from ITS to ITS-II.
- Headquarters' Communications Technician and Trust Fund Analyst develop individual installation checklists.
- Actual installation of ITS-II system takes approximately one week.
- Most difficult issues during implementation includes:
 - ◆ Informing the inmates of the change.
 - Training inmates and staff.
 - ◆ Talking to the inmates regarding their concerns.
 - ◆ Prepare prison for installation of system.
 - Service to Site installation from local exchange carriers.

SECURITY

The process to enact the safety and security features of the BOP PIN/Debit system starts when the inmate enters into a prison and receives a PIN number. There are three areas of security concern regarding the ITS-II system: User Security Level, Integrity and Security of the Inmate Trust Fund, and Security Regarding Inmate Calls.

User Security Level

- The system provides secure, multilevel database access control configurations with definable user levels.
- The BOP Central Office personnel have the highest access level as well as define the lower levels of access (screen view capability, menu functions, data input capability, query capability, etc.). Consistency of access is maintained at all prisons.
- The BOP creates the trust fund supervisor user access level at all prisons.
- The trust fund supervisor creates users for all other access levels at that prison and has control over all users and passwords within the assigned prison.

Integrity and Security of the Inmate Trust Fund

- The system can generate reports that assist in the overall accountability of the financial transactions and statements generated by the inmates (Telephone Account Statement Report, Transferred Telephone Accounts Report, Reconciliation Report, etc.).

Security Regarding Inmate Calls

- The system can generate numerous reports using a multitude of different parameters to allow for more enhanced intelligence gathering, increase security, and conceivably reduce the amount of drugs going into prison and lower violence. A few of the reports are: Frequently Dialed Number Report, Telephone Number Called By More Than One Inmate Report, Alert Notification Report, Extra Dialed Digit Report, etc.

- All calls are "branded."
- All calls have an intermittent random overlay during the conversation, identifying that the call is from an inmate at a prison and is being recorded.

SECURITY (CON'T)

- Numbers can be blocked for all inmates at a prison. Telephone numbers may be blocked even if identified on the inmate's approved list.
- All calls are recorded and subject to "real time" monitoring.
- Ability to enable/disable telephones on an individual, cellblock, or prison basis.
- Ability to customize applications from inmate to inmate (allow only one specific telephone to be used; limit the number of times an inmate can call, etc.).
- Ability to limit date, time, and duration of call.
- Ability to monitor each telephone call or multiple telephone calls simultaneously. Ability to identify who was called, who made the call, what time call was placed, and what telephone was used.
- Ability to monitor from different locations simultaneously such as the local housing unit, Investigation Security Unit, Central Office, etc.

RECAP OF FUNCTIONING SYSTEM

- The BOP has a standardized database system for all BOP facilities. Each system is configured independently.
- The BOP utilizes a WAN to provide connectivity among the ITS-II systems at the prisons and to support capability for systemwide administrative operations and functions.
- New inmates receive their random PIN number when they enter the BOP system and it stays with them throughout their incarceration.
- The ITS-II system debits the inmate's account automatically and in "real time" as the call is taking place.
- The FPPOS accounting database includes all trust fund debits (commissary and the ITS).
- Inmates can access their account via their PIN to transfer funds or verify their account balances using the inmate telephones.
- The system provides the ability to have continuous, ongoing, daily changes to the activity of inmates' calling list, calling parameters, etc.
- The BOP estimates completion of all change outs within three months.
- The federal system is self supporting with an annual staff and operating costs of \$26 million.
- Last year the federal system generated \$26.8 million in *net* revenue.

APPLICABILITY OF FEDERAL PIN/DEBIT SYSTEM TO CALIFORNIA DEPARTMENT OF CORRECTIONS

Description of California Department of Corrections' Inmate Security Telephone System

The current California Inmate Security Telephone System (ISTS) is a collect call only system that is outsourced via a DGS administered Master Contracts to two vendors. The ISTS ensures all calls are "branded" as to their origin when initiated and at random intervals during the conversation. Inmate calls are recorded and are limited in duration to a maximum of 15 minutes

Description of California Department of Corrections' Inmate Security Telephone System (Con't)

per call. Inmate calls are automatically terminated and are subject to "real time" monitoring. If calls are deemed inappropriate, they can be disconnected by the Officer monitoring the call. Currently, CDC is utilizing specialized security telephone equipment in the management of inmate telephone calls. The equipment is provided and maintained by the vendors at no cost to the State.

As previously discussed, the federal system uses a PIN/Debit system with direct dial charges immediately debited from an inmate's trust fund account. The discussion below identifies potential issues in the applicability of this system to CDC. **A complete needs assessment is required for actual resource identification.**

MAJOR ISSUES

- Lack of Database System
- Staffing and Cost To State
- Inmate Trust Fund Account vs. PIN/Debit System
- Implementation
- New Request For Proposal (RFP) with PIN/Debit Direct Dial and Collect Calling
- Training
- Category and Population of Inmates
- Policy

LACK OF A DATABASE SYSTEM

Currently, there is no centralized and/or local database system in place at Headquarters or in the prisons to implement a PIN/Debit system. Based on the federal system, CDC would be required to utilize a standardized accounting/inventory database to implement a PIN/Debit system.

Applicability: To apply the federal PIN/Debit system to CDC, a standardized Trust Fund, Accounting/Inventory System must be developed to ensure "real time" debits of all inmate trust fund activity.

- Feasibility Study Report (FSR) must be developed.
- A local and centralized accounting and inventory database system must be developed and include all trust fund debits (restitution, canteen, federal and state filing fees, medical copayments, child support orders, any special canteen purchases, etc.). Manual and automated debit system in place at the same time would create the possibility of an inmate overspending in one account.

- All prisons must have an operational LAN.
- A WAN would be required for connectivity to the LANs as required by the federal ITS-II system.
- Must determine location of database backup storage facilities (Galt, Teal Data Center, vendor's site, etc.).

STAFFING AND OPERATIONAL COSTS TO THE STATE AND POTENTIAL REVENUE

Currently, there is no designated staff to develop, implement, and provide ongoing support to a PIN/Debit system.

Applicability: Staff is required for implementing the PIN Debit system and to administer the system on an ongoing basis in all prisons and in Headquarters.

- Modify current office structure to include technical, accounting, operations and information systems staff to plan, develop, install, train, and troubleshoot the PIN/Debit system.
- Headquarters would require approximately 12 staff to perform needs assessment; assess security issues and impact on prison operations; and plan and develop a complete, fully automated inmate telephone PIN/Debit system.
- Based on the federal ratio of one prison staff to every 2,000 inmates, a total of 80 staff would be required to administer the PIN/Debit system in 33 prisons. (Current inmate population is approximately 160,000 divide by 2,000 = 80.)
- Each prison would have approximately two staff (80 divided by 33 = 2.5). Staff would be responsible for creating, changing, and deactivating inmate accounts; updating inmate calling parameters; generate and analyze call records; training the inmates on use of the system; and other necessary local administrative functions on a day-to-day basis.
- Using the BOP's Central Office staffing as a baseline, the number of Headquarters' staff required for oversight of daily operations, compile data on inmate use of the system, reconcile financial activities, training, and continuing technical support is approximately ten.
- There is a potential impact to the Correctional Counselors I workload, although impact is unknown at this time. The impact would be identified during the system development phase.

Estimate Cost and Revenue to State:

Estimated Planning and Development Cost is Between \$500,000 and \$1 Million (until completion of RFP)

- Information Systems Division (ISD) (approx. 7 staff x \$60,000*) = \$420,000
- Telecommunications and Accounting (approx. 5 staff x \$60,000) = \$300,000
- System development and needs assessment may require a consultant. Estimate cost is \$100,000 - \$250,000.

* - The PIN/Debit System requires higher level of analytical ability (Associate Governmental Program Analyst and Associate Information System Analyst) than current CDC Trust Fund System utilizing an Accounting Clerk II.

Estimate Implementation, Ongoing Support and Operational Cost is between \$9 Million and \$11 Million annually (staff required once RFP is completed)

- o Headquarters and prison staff (approx. 90 staff x \$60,000) = \$5.4 million (may also require management structure to support additional staff. **Estimate could reach \$6 million.**)
- o Operating costs include approximately 3-T1 lines and trunks per prison, WAN costs, etc., are estimated at \$4 million to \$5 million annually.

STAFFING AND OPERATIONAL COSTS TO THE STATE AND POTENTIAL REVENUE (CON'T)

Estimated Potential Net Revenue is Approximately \$10.5 Million annually*

- o Based on the BOP federal system methodology and costs applied to CDC's inmate telephone usage, the State's revenues and costs are estimated as follows:

\$21,354,862	Estimated Gross Revenue Annually
<u>10,839,210</u>	Less Estimated Annual Staff and Operation Costs
\$10,515,652	Estimated Annual Net Revenue

* - See Attachment B for detailed analysis

CURRENT INMATE TRUST FUND VS. PIN/DEBIT SYSTEM

The current inmate trust fund is an antiquated, locally automated system with manual processes for the movement of inmates. Each prison has its own stand-alone Distributed Data Processing Systems (DDPS) which include the Inmate Trust Accounting System. Trust account staff manually input all of the inmate's debits and credits. There is no centralized database. When an inmate transfers from one prison to another, the process of transferring their account is done manually.

- Trust account positions equate to inmate population (ratio is one trust account person per 640 inmates).
- As of November 1999, the cost to administer inmate trust funds for 150,314 inmates was approximately \$7,812,541 annually. This cost includes trust accounting personnel at prisons, Headquarters, and ISD staffing, plus the checks and receipts of trust office supplies.
- Currently, it takes two to three days per week, three weeks per month to process the canteen workload (this does not include returning inmates).
- Other workload involves manually debiting restitution, federal and state filing fees, medical copayments, child support orders, and any special canteen purchases (televisions, radios, etc.).
- Currently, there is a backlog of enhancement requests to the current database systems.
- Additional areas that are currently being hampered and are considered low priority are postage charges, deadlines for holds are not being met, etc.

Applicability: In order to implement the PIN/Debit system for prepaid inmate telephone calls, the current Inmate Trust Accounting System must be replaced with a fully automated accounting and inventory system that includes all inmate trust fund activity. The system must be standardized and connected to the current DDPS system.

IMPLEMENTATION

Because of the importance of the PIN/Debit system, a high degree of reliability and availability of services to the inmates is required. **The BOP has been transitioning this system into all federal prisons since 1995 and will be completed within three months.**

IMPLEMENTATION (CON'T)

Applicability: The timeframe to implement a PIN/Debit System statewide is unknown at this time.

- A needs assessment must be performed on all aspects of the PIN/Debit system for prisons, camps, Law Enforcement Investigation Unit, Headquarters, Accounting, etc.
- Identification of an accounting and inventory database system configuration, for both local and central operations.
- The FSR approval is required.
- A RFP must be developed.
- Establish a core group of staff to implement a PIN/Debit system (plan, develop, install, train, and troubleshoot). The core group must include technical, accounting, operations, and information systems staff personnel.
- Development of a project plan with timeframes and schedules.

NEW RFP WITH PIN/DEBIT DIRECT DIAL AND COLLECT CALL CAPABILITIES

The current statewide inmate pay telephone RFP has been cancelled and a new RFP must be developed for the inmate telephone system.

Applicability: A new RFP must be developed to include a PIN/Debit system with dual direct dial and collect calling capabilities.

- A bidding methodology must be developed (CDC could possibly utilize the federal RFP methodology, with modifications, to meet its specific needs and requirements).
- A FSR must be approved.
- The RFP would request that the vendor purchase, maintain, and install the PIN/Debit system equipment.
- Utilization of the California Integrated Information Network as the long distance carrier for inmates calling within California should be investigated.
- A RFP of this magnitude would take a minimum of 12 to 18 months to develop and bid.

TRAINING

Training of the PIN/Debit system for the implementation team, custody staff, and inmates would be a monumental undertaking requiring critical coordination with all prisons and Headquarters' staff.

Applicability: The list of personnel that require training:

- Implementation team for the PIN/Debit system.
- Ongoing administrators of the PIN/Debit system located at Headquarters.
- Inmates currently incarcerated in prisons, camps, and reception centers.
- Inmates new to the CDC system.

TRAINING (CON'T)

- Custody staff at 13 reception centers, 33 prisons, and 38 camps.
- Telecommunications staff at each prison.
- Investigations Security Unit at each prison.
- Law Enforcement Investigation Unit in Headquarters.
- Trust fund staff at each prison and in Headquarters.
- Correctional Counselors I at each prison.

CATEGORY OF INMATE AND POPULATION

The BOP and CDC differ in the management of inmates in regard to their telephone call usage.

The federal BOP system:

- Extends telephone privileges to all inmates with very few exceptions.
- Does not have any limitation on the number of times an inmate can make a long distance, direct dial call.
- The BOP prison population is approximately 124,380; CDC is approximately 160,000.
- The BOP has approximately 96 facilities, making the average inmate population per prison approximately 1,243; CDC has 33 prisons with an average inmate population per prison 4,879.
- The ratio of telephones to inmates is approximately 1:26; CDC's ratio is 1:70.
- The BOP average called minutes per inmate per month is 242; CDC's average called minutes per inmate per month is 76.

Applicability: The category of inmates that are incarcerated in CDC prisons could potentially have an impact on the PIN/Debit system revenue.

- The CDC has approximately 29 percent indigent inmates that do not have any money in their account. Where the 29 percent of indigent inmates are depicted in the categories below is unknown.
- Inmates are classified in privilege group categories ranging from A-D and U that specify when an inmate is allowed a telephone call.

Group A – Approximately 123,630 inmates; unlimited telephone calls during nonwork hours

- Group B - Approximately 5,472 inmates: one call per month - used for half-time workers
- Group C - Approximately 813 inmates: emergency only basis - used for inmates who refuse to work
- Group D - Approximately 4,527 inmates: emergency only basis - Administration Segregation or Security Housing Unit inmates
- Group U - Approximately 19,943 inmates: reception center - emergency calls only

CATEGORY OF INMATE AND POPULATION (CON'T)

- Average inmate population per prison is 4,879.
- The current ratio of telephones to inmates is 1:70.

POLICY ISSUE

Potential change in policy must be reviewed to address the restitution regulations, whereas the families could deposit funds into a telephone account without restitution being deducted.

- Currently, 40 percent of all inmates owe court-ordered restitution. Penal Code Section 2085.5 requires that 22 percent be deducted from any deposits made to an inmate trust fund account to cover restitution and associated administrative fees. Inmate families have expressed concerns with the potential of restitution deductions if funds were deposited into an inmate's account for telephone calls.

CONCLUSION

The Federal BOP Inmate Telephone PIN/Debit System is an efficient, fully automated, security conscious system that has reduced the cost of inmate calls dramatically. However, it has taken the federal BOP approximately five years to fully transition this system to all prisons. *The system could provide benefits to California, but not immediately.* Additional study would be needed to develop a comprehensive needs assessment and implementation plan. With the exception of the high cost of collect calls, the current CDC system provides the necessary service to the inmates and their families and is operating well in the prisons. It is recommended that the State consider other options for lowering the cost of calls that could be implemented sooner. However, the State should continue to examine the PIN/Debit system as a prison management, security and investigative tool, and as a long-term solution to the high cost of collect calls.

ATTACHMENT A

EXHIBIT 9

ORIGINAL

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
)
Implementation of the Pay Telephone)
Reclassification and Compensation)
Provisions of the Telecommunications)
Act of 1996)
_____)

Docket No. 96-128

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MAY 24 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS
OF THE INMATE CALLING
SERVICE PROVIDERS COALITION

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May 24, 2002

minimum compensation for inmate service providers for inmate local collect calls. The Commission invited the submission of additional cost data:

We seek additional data, to the extent such data can be developed, that might overcome the problems we identified. In particular, we seek cost and revenue data related to local collect calls made from confinement facilities, separate from data related to other services offered by payphone providers. We also seek support and justification for any costs related to inmate calling services (such as depreciation, overhead, or return on investment) that ICS providers assert differ from the costs incurred with respect to ordinary payphones.

NPRM, ¶74.

The Coalition has submitted additional data, described below, which confirms the need for the Commission to prescribe a minimum compensation rate for local collect calls. Such compensation would enable service providers to recover their costs of serving "marginal" confinement facilities (*i.e.*, facilities where no commissions are paid) in those states where they currently are required to charge rates below such costs. As previously discussed by the Commission, such a rate prescription is necessary to ensure widespread deployment of inmate telephone systems and fair compensation for inmate payphone service. Without rate relief, inmate service to small county jails in many states is in jeopardy, and inmate service providers are able to serve other confinement facilities only by charging increased rates for long distance service.

- A. The additional cost information submitted by the Coalition demonstrates that a minimum rate of \$2.44 per local call is necessary for ICS providers to recover the costs of a marginal inmate phone location.**

In response to the *NPRM's* invitation, the Coalition requested its consultant, Don Wood, to prepare a study of inmate service providers' costs attributable to local collect calls. This cost study determines the cost of inmate local collect calls with substantially

greater precision than the information previously submitted by the Coalition in this proceeding, and addresses the defects perceived by the Commission in the information previously submitted. *NPRM*, ¶¶36-38.² In addition, the study rigorously adheres to the cost-based compensation methodology followed by the Commission in the *Third Payphone Order*.³ A description of the study and its results is attached to these comments. See Attachment 1.

² To address the issue of separating revenue and cost for local collect calls from other services (*Id.*, ¶37), the Wood study identifies service-specific costs and attributes to local collect calls only the service-specific costs that are specific to local collect calls. Non-service-specific costs are identified and allocated in accordance with the methodology approved in the *Third Payphone Order*.

To address the Commission's other concerns (*NPRM*, ¶38) the Wood study avoids treating commissions as costs, has fully documented its determinations of all costs, and has applied the same 11.25% rate of return used in the *Third Payphone Order*. The Commission also questioned why inmate service costs were different from public payphone costs. *NPRM*, ¶38. While there are differences between the costs developed in this study with the public payphone costs determined by the Commission in the *Third Payphone Order*, such differences are to be expected. As the *NPRM* recognizes, there are numerous respects in which inmate service facilities and operations differ from non-inmate payphone services. *Id.*, ¶9. Therefore, while the same methodology has been followed in both cases, the cost inputs are different and therefore the results are different. Indeed, it would be surprising, and perhaps a basis for questioning the study, if the costs of the disparate service operations and equipment configurations involved in inmate and non-inmate service had been found to be the same.

³ In order to ensure appropriate evaluation of such cost data, the Commission must reassess certain rulings in the *Remand Order*. As explained in the Coalition's petition for reconsideration of the *Remand Order* (see Public Notice, Report No. 2553, released May 15, 2002) the Commission should reconsider and rule that: (1) in the inmate service context, Section 276(b)(1)(A) of the Communications Act, 47 U.S.C. §276(b)(1)(A), inmate service providers must be fairly compensated by end users for the full cost of the service they actually provide (not an artificially segregated portion of the service); and (2) compensation for local collect calls requires adjustment if a state rate ceiling prevents inmate service providers from recovering the direct cost of such calls plus a proportionate allocation of fixed or common costs attributable to such calls pursuant to the cost-based compensation methodology followed in the *Third Payphone Order*. *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of*

ATTACHMENT 1

Inmate Phone Local Call Cost Study

**Inmate Phone
Local Call Cost Study**

May 24, 2002

Prepared By:

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Inmate Phone Local Call Cost Study

recent Requests for Proposals ("RFPs") indicates that facility operators are requiring increased monitoring capabilities and other related features. The equipment acquisition costs used in the study reflect the minimum requirements set forth in these RFPs. This ensures that costs are forward-looking.

D.3.3 Depreciation

The useful life of an investment is directly impacted by two constraints. First, the investment can be consumed or rendered unusable by wear and tear. This constraint is typically the limiting factor in the useful life of a durable asset in a stable industry. Second, the useful life of an investment can be limited because of technological changes that render the asset obsolete.²³ This constraint is typically the limiting factor in the useful life of a technology-based asset (such as computers), or assets utilized in an industry characterized by rapid change in the functionality required by customers.

Vendor bids and invoices indicate that the primary investment for an IPSP consists of the computer processing equipment that provides the functionality demanded by the operators of confinement facilities and regulators. In contrast, the basic phone units represent a minor portion of the investment for a given location.

The automated call processing equipment²⁴ has proven to be subject to technical obsolescence as the demands of confinement facility operators and regulators change. Because of these changes, IPSPs are usually required to recover their investment over the term of the contract with the confinement facility operator. These contracts range in length from three to five years. As a conservative assumption, a useful life of five years has been used in the study for this equipment. The IRS (publication number 946) also supports the use of a five year depreciable life for computer equipment.

D.3.4 Return on Investment

Return on Investment should be representative of a normal economic profit on the capital investments made in order to provide the service. When this return on investment is included in the cost calculation,²⁵ a rate set equal to the calculated cost would permit the provider to receive a fair return on investment.

²³ An asset can become obsolete either because it is incapable of performing a newly demanded function, or because it no longer represents an efficient method of providing required functionality.

²⁴ This equipment is comparable to a personal computer.

²⁵ The Commission has historically required this treatment of return on investment in cost studies conducted by the LECs, and adopted this approach when calculating costs to support its rate for dial-around compensation.

Inmate phones - County Jail Facilities
 Local Call Cost Study
 Location C

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 29.23	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.51	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	1,417	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	236 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	4 Ln 6 * Ln 18	
	c PBA/DAK Calls	- Ln 6 * Ln 19	
	d Billable Calls	232 Ln 6a - 6b - 6c	
7	# of Lines	2 Location Specific Data	
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	195	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	4 Ln 8 * Ln 18	
	c PBA/DAK Calls	- Ln 8 * Ln 19	
	d Service Specific Billable Calls	191 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 7,375.50	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. C
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Taxified rates available

Inmate phones - County Jail Facilities
Local Call Cost Study
Location G

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 29.23	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	6.22	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0163	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	4,262	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	355	Ln 5 / Ln 7 / 3 months
	b Unbillable calls - returned by LECs	7 Ln 6 * Ln 18	
	c PBA/DAK Calls	1 Ln 6 * Ln 19	
	d Billable Calls	347 Ln 6a - 6b - 6c	
7	# of Lines	4	Location Specific Data
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	287	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	5 Ln 8 * Ln 18	
	c PBA/DAK Calls	1 Ln 8 * Ln 19	
	d Service Specific Billable Calls	281 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 5,050.25	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. G
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Input G

5/24/02 4:29 PM

**Inmate phones - County Jail Facilities
Local Call Cost Study
Location H**

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 32.13	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.71	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	4,222	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	469	Ln 5 / Ln 7 / 3 months
	b Unbillable calls - returned by LECs	9	Ln 6 * Ln 18
	c PBA/DAK Calls	1	Ln 6 * Ln 19
	d Billable Calls	459	Ln 6a - 6b - 6c
7	# of Lines	3	Location Specific Data
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	418	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	8	Ln 8 * Ln 18
	c PBA/DAK Calls	1	Ln 8 * Ln 19
	d Service Specific Billable Calls	409	Ln 8a - 8b - 8c
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 5,418.33	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. H
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Tariffed rates available

Inmate phones - County Jail Facilities
Local Call Cost Study
Location N

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 26.01	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.68	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	872	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	291 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	6 Ln 6 * Ln 18	
	c PBA/DAK Calls	1 Ln 6 * Ln 19	
	d Billable Calls	284 Ln 6a - 6b - 6c	
7	# of Lines	1 Location Specific Data	
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	254	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	5 Ln 8 * Ln 18	
	c PBA/DAK Calls	1 Ln 8 * Ln 19	
	d Service Specific Billable Calls	248 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 13,689.00	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. N
16	Commission %	0%	
17	Uncollectibles %	23 10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Tariffed rates available

Inmate phones - County Jail Facilities
Local Call Cost Study
Location O

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 28.53	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	8.04	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0159	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	2,420	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	269 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	5 Ln 6 * Ln 18	
	c PBA/DAK Calls	1 Ln 6 * Ln 19	
	d Billable Calls	263 Ln 6a - 6b - 6c	
7	# of Lines	3 Location Specific Data	
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	232	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	4 Ln 8 * Ln 18	
	c PBA/DAK Calls	- Ln 8 * Ln 19	
	d Service Specific Billable Calls	228 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 5,961.00	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. O
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Tariffed rates available

Input O

5/24/02 4:29 PM

**Inmate phones - County Jail Facilities
Local Call Cost Study
Location P**

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 32.36	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.51	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	1,812	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	302	Ln 5 / Ln 7 / 3 months
	b Unbillable calls - returned by LECs	6	Ln 6 * Ln 18
	c PBA/DAK Calls	1	Ln 6 * Ln 19
	d Billable Calls	295	Ln 6a - 6b - 6c
7	# of Lines	2	Location Specific Data
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	245	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	5	Ln 8 * Ln 18
	c PBA/DAK Calls	-	Ln 8 * Ln 19
	d Service Specific Billable Calls	240	Ln 8a - 8b - 8c
9	Billing & Collection Fees	\$ 0.104	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 7,375.50	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. P
16	Commission %	0%	
17	Uncollectibles %	23.10%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	1.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.2%	Calculated from information provided by IPSPs.

Tariffed rates available

Inmate phones - County Jail Facilities
Local Call Cost Study
Location Q

Line	Variables	Input	Source / Explanation
1	Local Service Charges - Flat monthly fee		See Analysis Section D.3.1 (Tab D). Documentation is available.
2	Local Service Charges - monthly line charge	\$ 29.18	See Analysis Section D.3.1 (Tab D). Documentation is available.
3a	Local Service Charges - Usage - average length of call	7.44	See Analysis Section D.2.1 (Tab D). Documentation is available.
3b	Unbillable calls - not accepted; answering machine	0.025	See Analysis Section D.2.2 (Tab D). Documentation is available.
4	Local Service Charges - Usage - cost per minute	\$ 0.0160	See Analysis Section D.2.1 (Tab D). Documentation is available.
5	Total Number of Calls (Local & Interstate)	2,162	See Analysis Section D.2.1 (Tab D). Documentation is available.
6	a Average Number of Calls per month - All Types (excluding unbillable - not accepted)	360 Ln 5 / Ln 7 / 3 months	
	b Unbillable calls - returned by LECs	10 Ln 6 * Ln 18	
	c PBA/DAK Calls	2 Ln 6 * Ln 19	
	d Billable Calls	348 Ln 6a - 6b - 6c	
7	# of Lines	2	Location Specific Data
8	a Service Specific Average Number of Calls per month (excluding unbillable - not accepted)	294	See Analysis Section D.2.1 (Tab D). Documentation is available.
	b Unbillable calls - returned by LECs	9 Ln 8 * Ln 18	
	c PBA/DAK Calls	1 Ln 8 * Ln 19	
	d Service Specific Billable Calls	284 Ln 8a - 8b - 8c	
9	Billing & Collection Fees	\$ 0.098	See Analysis Section D.3.8 (Tab D). Documentation is available.
10	Validation per call	\$ 0.056	See Analysis Section D.3.7 (Tab D). Documentation is available.
11	<Left blank>		
12	Cost of Equipment	\$ 8,189.50	Location Specific Data
13	Depreciation period (# of months)	60.00	Calculated Pursuant to methodology set forth in Third R&O.
14	SG&A Total (monthly cost)	\$ 107.61	Calculated from information provided by IPSPs.
15	Return (profit) %	11.25%	Worksheet ROI, Ln 11, Col. Q
16	Commission %	0%	
17	Uncollectibles %	19.60%	Calculated from information provided by IPSPs.
18	Unbillable % - returned by LECs	2.9%	Calculated from information provided by IPSPs.
19	Post Billing Adjustment % (PBA) - Denied All Knowledge (DAK)	0.5%	Calculated from information provided by IPSPs.

Tariffed rates available

ATTACHMENT A

EXHIBIT 10

EX PARTE OR LATE FILED ORIGINAL

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP
2101 L Street NW • Washington, DC 20037-1526
Tel (202) 785-9700 • Fax (202) 887-0689

ORIGINAL

Writer's Direct Dial: (202) 828-2290
16158 0023

May 9, 2000

RECEIVED

MAY 09 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW
Washington, D.C. 20554

NOTICE OF EX PARTE
PRESENTATION

Re: CC Docket No. 96-128 (remand of inmate service issues)

Dear Ms. Salas:

On May 8, 2000, Robert Aldrich of this law firm and Vince Townsend of Pay-Tel Communications, Inc., representing the Inmate Calling Service Providers Coalition, met with Jordan Goldstein, Advisor to Commissioner Ness.

We discussed the proceeding regarding inmate calling services on remand from the United States Court of Appeals for the D.C. Circuit. In particular, we discussed (1) the need for the Federal Communications Commission to provide, pursuant to 47 U.S.C. § 276, fair compensation for inmate service providers for local collect calls where state rate ceilings preclude recovery of the cost of the calls; and (2) the need for the Federal Communications Commission to make clear that "inmate telephone service," for purposes of the Section 276 ban on Bell company discriminations and subsidies, as well as the compensation provision, includes not only the equipment but also the collect calling service provided for the use of inmates.

Regarding the compensation issue, the following points were discussed, and are reflected in the attached material that was handed out at the meeting.

- ◆ Those commenting parties that claim to be able to make a profit in inmate services do not offer service to city and county jails (where local calls are most prevalent) in the states with the lowest rate ceilings;
- ◆ Gateway, which claimed to have been able to "earn a fair profit" under current regulations, had an \$11.4 million loss (under its new owner T-Netix) in 1999;

1177 Avenue of the Americas • New York, New York 10036
Tel (212) 835-1400 • Fax (212) 997-9880
<http://www.dsma.com>

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1145084 v1; JTW011.DOC

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP

INDEPENDENT INMATE PHONE SERVICE PROVIDERS

(as of May, 2000)

<u>Previous Providers</u>	<u>Status</u>	<u>Current Coalition Providers</u>
AmeriTel Pay Phones, Inc.	Sold	Evercom
Blair Communications	Sold	Global Telink
Coin Telephone	Sold	McLeod USA
Consolidated Communications	Sold	Pay Tel Communications, Inc.
Correctional Communications Corp	Sold	Public Communications Services
DGI Communications	Out of business	
Executone Corrections Division	Sold	
Harris Corp	Sold	
InVision Telecom, Inc.	Sold	
Kantel	Sold	
KR&K	Sold	
London Communications, Inc.	Sold	
M.O.G. Communications, Inc.	Sold	
North American Communications	Went under	
North American Intelcom	Sold	
OPUS	Halted installations/for sale	
PayCom	Sold	
Payphone Systems	Sold	
Paytel of America	Sold	
Peoples	Sold	
Quest Telecommunications	Sold	
Robert Cefil & Associates	Sold	
Saratoga Telephone	Sold	
Talton Communications	Sold	
Tataka	Sold	
Tel America	Sold	

ATTACHMENT A

EXHIBIT 11

September 13, 1999

Paul C. Besozzi
(202) 457-5292
pbsozzi@pattonbagg.com

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Evercom Systems, Inc. – Revised FCC Tariff No. 1

Dear Ms. Salas:

In accordance with Sections 61.21 and 61.23 of the Commission's Rules, enclosed is a diskette containing revised FCC Tariff No. 1 of Evercom Systems, Inc. Similar diskettes are simultaneously being provided to the Chief, Tariff Review Branch and the Commission's commercial contractor, in accordance with Section 61.21 of the Commission's Rules. The requisite filing fee of \$630.00 and an accompanying FCC Form 159 are being filed in accordance with Section 61.21(a) of the Commission's Rules on this date.

Should there be any questions on this matter, please contact the undersigned counsel.

Sincerely yours,

Paul C. Besozzi
PCB/lyt

Enclosure

cc: Mike Smith

INTERSTATE SWITCHED TELECOMMUNICATIONS SERVICE

REGULATIONS AND SCHEDULES OF CHARGES

APPLICABLE TO SERVICES FURNISHED

BY

EVERCOM SYSTEMS, INC.

This tariff includes the rates, charges, terms and conditions of service for the provision of interstate telecommunications services provided by EVERCOM SYSTEMS, INC. ("Company") between points within the United States.

This tariff cancels and replaces in its entirety Tariff FCC No. 1 previously issued by Saratoga Telephone Company effective November 17, 1998.

ISSUED: September 13, 1999

EFFECTIVE: September 14, 1999

BY:

Mike Smith, Manager of Regulatory Affairs
8201 Tristar Drive
Irving, Texas 75063

SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D.)**3.4 Debit Services, (cont'd.)****3.4.1 Debit Services Rates**

Rates listed below are applicable to the Company's Debit Card Service and Inmate-only Debit Account Service. For billing purposes, call timing is rounded up to the next full minute increment after a minimum initial period of one (1) minute. No time of day, holiday or volume discounts apply. The Per Minute rates listed below are inclusive of all applicable taxes.

PER MINUTE USAGE CHARGE: \$0.65

3.4.2 Debit Services Sponsor Program

A Sponsor Program is offered to organizations or the Company commercial entities for distribution of Company's Debit Cards to their members or patrons. The marketing vehicle and expiration period is selected by the Sponsor upon joint agreement between the Carrier and the Sponsor. The Sponsor is responsible for name, service mark or other image on the card. The carrier reserves the right to approve or reject any image and to specify the customer information language and use of the Carrier's trade mark, trade name, service mark or other image on the card. The Sponsor may distribute the Carrier's debit card accounts at reduced rates or free of charge to end users for promotional purposes. At the option of the Sponsor, these cards may not be renewed. Debit Cards and/or Accounts issued through a Sponsor Program may not be used in conjunction with Debit Account services provided to inmates of confinement institutions.

ISSUED: September 13, 1999**EFFECTIVE: September 14, 1999**

**BY: Mike Smith, Manager of Regulatory Affairs
8201 Tristar Drive
Irving, Texas 75063**

SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D.)**3.5 Operator Service**

Operator service consists of the provision of automated operator assistance in completing and arranging billing for calls, and the transmission of such operator-assisted calls through the resale of transmission services of other carriers. The service is provided by means of a microprocessor located inside a pay telephone, which uses recorded or simulated voice prompts to guide the Customer through the process of completing a collect, credit card, or third number billed call. The microprocessor responds to the Customer's voice or input of information by automatically processing and transmitting the information as necessary to establish a valid billing procedure for the call and to complete the call.

PER MINUTE RATES		
DAY	EVENING	NIGHT/WKND
\$0.59	\$0.59	\$0.59

Service charge \$3.95 per call.

ISSUED: September 13, 1999

EFFECTIVE: September 14, 1999

BY: Mike Smith, Manager of Regulatory Affairs
8201 Tristar Drive
Irving, Texas 75063

ATTACHMENT A

EXHIBIT 12

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP

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Tel (202) 785-9700 • Fax (202) 887-0689
Writer's Direct Dial: (202) 828-2290
16158 0023

ORIGINAL

ORIGINAL

April 6, 2000

EX PARTE OR LATE FILED

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW
Washington, D.C. 20554

NOTICE OF EX PARTE
PRESENTATION

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

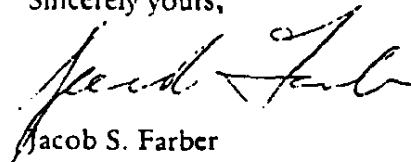
Re: CC Docket No. 96-128

Dear Ms. Salas:

On April 5, 2000, Robert Aldrich and Jacob Farber of this law firm, and Vince Townsend of the Inmate Calling Service Providers Coalition, met with Lynne Milne, Calvin Howell, Jon Stover, Al Barna, and Adam Candeub of the Competitive Pricing Division.

We discussed the proceeding regarding inmate calling services on remand from the United States Court of Appeals for the D.C. Circuit. In particular, we discussed the need for the Federal Communications Commission to act to ensure that inmate calling service providers are fairly compensated for local inmate collect calls. The attached materials, which show a correction to a cost analysis previously submitted by the Coalition, were distributed.

Sincerely yours,


Jacob S. Farber

Enclosures

cc: Lynne Milne
Jon Stover
Calvin Howell
Al Barna
Adam Candeub

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INMATE SERVICE FEE - 12 Minute Local Call COST ANALYSIS

VARIABLES	Pay Phone		Inmate	
	¹ Local Collect Call		Local Collect Call	
Local Service Charges	² \$	52.53	\$	64.05
Flex-ANI Charge	\$	1.08	\$	1.08
Number of Calls		439		268
Billing & Collection Fees	³ \$	0.18	\$	0.18
Maintenance	\$	18.90	\$	24.12
Equipment Depreciation	\$	12.73	\$	29.48
Overhead Total	\$	19.62	\$	59.96
Return (profit)	⁴ \$	15.31	\$	22.10
Commission %	⁵	30%		30%
Unbillables %	⁶	0%		5%
Uncollectibles %	⁷	2%		14%
Tax				

	(1) Pay Phone		(2) Inmate		Cost Differential (Col 2- Col 1)
	Local Collect Call		Local Collect Call		
Local Service Charges	⁸ \$	0.122	\$	0.243	\$ 0.121
Billing & Collection Fees	\$	0.180	\$	0.180	\$ -
Validation	⁹ \$	0.113	\$	0.170	\$ 0.057
Maintenance & Repairs	\$	0.043	\$	0.090	\$ 0.047
Equipment Depreciation	\$	0.029	\$	0.110	\$ 0.081
Overhead	\$	0.045	\$	0.224	\$ 0.179
Return (profit)	\$	0.035	\$	0.082	\$ 0.048
Total Costs	\$	0.567	\$	1.099	\$ 0.532
Commission @ 30%	\$	0.254	\$	0.647	\$ 0.393
Unbillables/Uncollectibles @ 18%	\$	0.025	\$	0.410	\$ 0.384
TOTAL	\$	0.848	\$	2.155	\$ 1.309

FOOTNOTES:

- 1) Except where indicated, average figures for payphone services are taken from the FCC's Third Report and Order, and average figures for inmate services are taken from prior Coalition filings
- 2) Local service charges for payphone services include usage charges as estimated by the RBOC/GTE/SNET Coalition. Local service charges for inmate services are estimated based on analysis of ILEC tariffs in the 13 states w/ the lowest local collect call rates.
- 3) Estimate based on review of LEC and clearinghouse fees
- 4) Payphone returns calculated at 11% and inmate returns at 15%
- 5) Commission % for payphone services is assumed to be equal to commission % for inmate services
- 6) Unbillables for payphone services are estimated to be negligible. Estimated unbillables for inmate services have increased from 3% to 5% since previous Commission filings
- 7) Uncollectibles for payphone services are based on estimate provided by clearinghouse
- 8) Flex ANI fees are included in Local Service Charge per-call calculations
- 9) Validation estimates based on estimated call completion ratios for payphone services and inmate services

ATTACHMENT A

EXHIBIT 13

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
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Implementation of the Pay)
Telephone Reclassification and)
Compensation Provisions of the)
Telecommunications Act of 1996)
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CC Docket No. 96-128

COMMENTS OF INMATE CALLING SERVICES PROVIDERS COALITION

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July 1, 1996

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FEDERAL COMMUNICATIONS COMMISSION

Comments of Inmate Calling Services
Providers Coalition

CC Docket No. 96-12
Filed July 1, 1996

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

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COMMENTS OF INMATE CALLING SERVICES PROVIDERS COALITION

The Inmate Calling Services Providers Coalition (the "Coalition") hereby submits its comments in response to the Commission's Notice of Proposed Rulemaking, FCC 96-254 (June 6, 1996) ("Notice") in the above-captioned proceeding.

The Coalition is an ad hoc coalition of companies that provide highly specialized telephone equipment and services to inmates in confinement facilities. The Coalition's members¹ range in size from the nation's largest independent provider of inmate calling services to small companies serving only a handful of confinement facilities. They share in common the desire to offer the highest possible level of service

¹ The Coalition's members include AmeriTel Pay Phones, Inc., Communications Central Inc., Correctional Communications Corporation, Inc., InVision Telecom, Inc., M.O.G. Communications, Inc., Pay Tel Communications, Tataka and TELEQUIP Labs, Inc.

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Another basic requirement for inmate calling systems is the ability to limit call duration and/or to limit calling to a particular time of day, which often varies from inmate to inmate. This serves to provide confinement facilities with control over inmate phone usage while allowing more inmates greater access to the phones available to them. Additionally, restrictions may be placed on the number of calls an inmate is permitted to make over a given period.

The ability to restrict inmate calling by called number is another specialized requirement of inmate calling systems. Confinement facilities often require that ICSPs block an inmate's ability to make calls to certain designated numbers, such as to judges or witnesses. Additionally, confinement facilities may require the ability to restrict inmate calling only to certain pre-designated numbers, such as family members or the inmate's attorney. These requirements prevent or reduce harassment, fraudulent calling, and the use of the inmate calling system to engage in other criminal activity.

At the request of the confinement facility, many ICSPs have put into place additional called number screening mechanisms that permit free calling to certain pre-designated numbers. These numbers typically include the public defenders' office, bail bondsmen, and commissary services.¹⁴

Some confinement facilities also request that ICSPs block calls attempted by particular inmates or calls attempted from certain inmate phones. This requirement

¹⁴ In addition to the costs involved in maintaining the hardware and software to provide this service, the ICSP also bears the costs of transmission, which can amount to \$.25 or more for a 10-minute call.