



Rural Health Care Committee Meeting

Audit Report Briefing Book

Monday, January 24, 2022

Available For Public Use

Universal Service Administrative Company Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

Summary of Rural Health Care Support Mechanism Beneficiary Audit Report Released: October 2021

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
DRS Global Enterprise Solutions, Inc.	1	<ul style="list-style-type: none"> No significant findings. 	\$4,729,441	\$0	\$0	\$0	N
Attachment A							
Total	1		\$4,729,441	\$0	\$0	\$0	

* The Monetary Effect amount represents the actual dollar effect of the finding(s) without taking into account any overlapping exceptions that exist in multiple findings. Thus, the total Monetary Effect may exceed the Amount of Support disbursed to the Beneficiary.

**The Monetary Effect amount may exceed the USAC Management Recovery Action and/or Commitment Adjustment, as there may be findings that may not warrant a recommended recovery or commitment adjustment or had overlapping exceptions that exist in multiple findings.

Attachment A

RH2019SP004

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DRS Global Enterprise Solutions, Inc.

Performance Audit on Compliance with the Federal Universal Service
Fund Rural Health Care Support Mechanism Rules

USAC Audit No. RH2019SP004

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EXECUTIVE SUMMARY

July 21, 2021

Ron Fouse, VP Corporate Counsel
DRS Global Enterprise Solutions, Inc.
301 1st Street W, Suite 6
Polson, MT 59860

Dear Ron Fouse:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of DRS Global Enterprise Solutions, Inc. (Service Provider), Service Provider Identification Number (SPIN) 143021118, using the regulations and orders governing the federal Universal Service Rural Health Care Support Mechanism, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the FCC Rules). Compliance with the FCC Rules is the responsibility of the Service Provider's management. AAD's responsibility is to make a determination regarding the Service Provider's compliance with the FCC Rules based on the performance audit.

AAD conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2018 Revision). Those standards require that AAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select the Service Provider, the type and amount of services provided, as well as performing other procedures AAD considered necessary to make a determination regarding the Service Provider's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed one detailed audit finding (Finding) discussed in the Audit Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Service Provider, and the Federal Communications Commission (FCC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

We appreciate the cooperation and assistance extended by you and your staff during the audit.

Sincerely,



Jeanette Santana-Gonzalez
USAC Sr. Director, Audit and Assurance Division

cc: Radha Sekar, USAC Chief Executive Officer
Mark Sweeney, USAC Vice President, Rural Health Care Division
Teleshia Delmar, USAC Vice President, Audit and Assurance Division
Renaë Rasmussen, Program Analyst

AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect and Recommended Recovery	Recommended Commitment Adjustment
47 C.F.R. §54.619(d) – Insufficient Documentation – Service Provider Did Not Demonstrate that its Rural Rates Were Determined in Accordance with Program Rules	\$0.00	\$0.00

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit result.

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

The purpose of the audit was to determine whether the Service Provider complied with the FCC Rules.

SCOPE

The following chart summarizes the Rural Health Care Telecommunications (RHC) program support amounts committed and disbursed to the Service Provider for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Telecommunications	\$4,729,441	\$4,729,441

Note: The amounts committed and disbursed reflect funding year activity as of the date of the commencement of the audit.

The committed total represents 28 FCC Form 466 applications with 28 Funding Request Numbers (FRNs). AAD selected 6 FRNs,¹ which represent \$2,188,776 of the funds committed and \$2,188,776 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the selected Beneficiaries.

BACKGROUND

The Service Provider provides telecommunication services to its health care provider customers and its headquarters are located in Polson, Montana.

PROCEDURES

AAD performed the following procedures:

A. Eligibility Process

AAD obtained an understanding of the Service Provider's processes and internal controls governing its participation in the RHC program. Specifically, AAD conducted inquiries of the Service Provider and the selected Beneficiaries and examined documentation to obtain an understanding of the controls that exist to determine whether services were eligible, delivered, and installed in accordance with the FCC Rules. AAD used inquiry and examined documentation to determine whether the Service Provider assisted with the completion of each selected Beneficiary's FCC Form 465.

B. Competitive Bid Process

AAD examined documentation to determine whether all bids for the services received were properly evaluated. AAD conducted inquiries and examined documentation to determine whether the Beneficiaries selected the most cost-effective method. AAD examined evidence that the Beneficiaries waited the required 28 days from the date the FCC Form 465 was posted on USAC's website before

¹ The FRNs included in the scope of this audit were: 1720852, 1719041, 1719176, 1718985, 1719157, and 1720383.

selecting and signing contracts with the Service Provider. AAD evaluated the services requested and purchased for cost-effectiveness as well.

C. Rural and Urban Rates

AAD conducted inquiries and examined the Service Provider's contract(s), service agreement(s), service quote(s), tariff(s), and/or other documentation to determine whether the Service Provider's rural rate was established in accordance with the FCC Rules. AAD also used inquiry and examined documentation to substantiate the urban rate listed in the FCC Form(s) 466.

D. Invoicing Process

AAD examined invoices for which payment was disbursed by USAC to determine whether the services identified on the service provider invoices submitted to the RHC program and the corresponding service provider bills submitted to the Beneficiaries were consistent with the terms and specifications of the Service Provider's agreements. AAD examined documentation to determine whether each Beneficiary paid its non-discounted share in a timely manner.

E. Billing Process

AAD examined the Service Provider bills for the RHC program supported services to determine whether the services identified were consistent with the terms and specifications of the Service Provider's contracts, or other service agreements, and eligible in accordance with the FCC Rules. In addition, AAD examined documentation to determine whether the Service Provider billed the selected Beneficiaries for the rural rate and only collected payment for the selected Beneficiaries' equivalent of the urban rate for the eligible services purchased with universal service discounts.

F. Health Care Provider Location

AAD conducted inquiries and inspected documentation to determine whether the services provided existed and were functional. AAD also determined through inquiry and inspection of documentation whether the supported services for eligible HCPs were used for purposes reasonably related to the provision of health care services and in accordance with the FCC Rules.

DETAILED AUDIT FINDING

Detailed Audit Finding: 47 C.F.R. §54.619(d) (2016) – Inadequate Documentation - Service Provider Did Not Demonstrate that its Rural Rates Were Determined in Accordance with Program Rules

CONDITION

AAD conducted inquiries and obtained and examined documentation provided by the Service Provider to determine whether the Service Provider determined its rural rates in accordance with the FCC Rules for FRNs 1718985, 1719041, 1719157, 1719176, 1720383 and 1720852. The Service Provider informed AAD that in 2014, the Service Provider executed an RHC program-approved evergreen contract with the Beneficiaries and that the contracted rates, which were used as the rural rates on the FCC Forms 466, were determined using an economic justification which considered profit earnings by the Service Provider and its cost to provide the services to the Beneficiaries.² Although the contract continued to cover services provided in Funding Year 2017, the Service Provider informed AAD that it revised its rural rate methodology and used “Method 1” for Funding Year 2017.³ However, the Service Provider did not provide adequate documentation to demonstrate compliance with this method of calculating rural rates.

Method 1 under the FCC Rules requires rural rates to be the average of the rates actually being charged to commercial customers, other than health care providers (HCPs), for identical or similar services provided by the service provider providing the requested services in the rural area in which the HCP is located.⁴ To support its rural rate determination, the Service Provider provided USAC with a copy of a signed contract with Yukon Koyukuk School District (YKSD), a non-HCP commercial customer. The contract included a price schedule with rates for various services, including the services provided to the Beneficiaries. However, the Service Provider informed AAD that the services provided to the Beneficiaries were not the services selected by YKSD and, therefore, YKSD was not billed for those services. The FCC Rules define the rural rate as the average of the rates “actually being charged....”⁵ Although the Service Provider identified a rate in its contract for similar services provided to the Beneficiaries, the rate was not actually charged to YKSD.

² See *Audit Inquiry Record Response* submitted by Renae Rasmussen, DRS Global Communications Manager, to AAD (Mar. 17, 2020).

³ See *id.*

⁴ See 47 C.F.R. § 54.607(a) (2016) (“[t]he rural rate shall be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier...”) (Method 1).

⁵ *Id.*

USAC is required to conduct audits in accordance with generally accepted government auditing standards,⁶ which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.⁷ Because the Service Provider did not deliver the similar services to YKSD and did not actually charge YKSD the rates reflected in the price schedule, the contract is not adequate documentation to support the rural rate determination under Method 1.

To determine whether the Service Provider's rural rate could be supported by tariffed or other publicly available rates charged for the same or similar services in the Beneficiaries' rural area by other carriers, as required to comply with Method 2 of determining the rural rate under FCC Rules,⁸ AAD examined USAC's Open Data platform and researched the Internet to determine whether there were publicly available rates charged to E-Rate applicants or RHC program applicants in the Yukon-Koyukuk census area for the same or similar services from other carriers, or whether there were other publicly available rates, including tariffs, for the same or similar services. AAD determined that there were publicly available rates charged to RHC program applicants for similar services in the same rural census area from other carriers. AAD calculated the average of the publicly available rates charged to the RHC program applicants for similar services from other carriers, and determined that the Service Provider's rural rate did not exceed AAD's calculated average under Method 2.

Because the Service Provider used a contract for services not actually charged to non-HCP commercial customers to support the rural rates, AAD concludes that the Service Provider did not retain documentation sufficient to establish that its rural rates were calculated in accordance with Method 1 under the FCC Rules. However, AAD's alternative procedures determined that the Service Provider's rural rates were supported under Method 2 under the FCC Rules.

CAUSE

The Service Provider did not demonstrate a sufficient knowledge of the FCC Rules governing rural rates. The Service Provider did not have an individual with sufficient knowledge of the Rural Health Care Telecommunications Program designated to perform a subsequent review to ensure that the rural rates were established in accordance with the FCC Rules.

EFFECT

There is no monetary effect for this finding as AAD was able to perform alternative procedures to determine that the rural rates reported in the FCC Forms 466 complied with FCC Rules.

⁶ See 47 C.F.R. § 54.702(n) (2016).

⁷ See U.S. Government Accountability Office, *Government Auditing Standards*, GAO-18-568G, para. 8.90 (Jul. 2018) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions.").

⁸ See 47 C.F.R. § 54.607(b) (2016) ("the average of the tariffed and other publicly available rates... charged for the same or similar services... by other carriers") (Method 2).

RECOMMENDATION

The Service Provider must implement controls and procedures to ensure it calculates the rural rate using one of the three required methods in accordance with the FCC Rules. The Service Provider must familiarize itself with the FCC Rules governing the determination of rural rates to ensure either (1) its rural rate is the average of the rates it actually charges to commercial customers, other than HCPs, for identical or similar services in the rural area where the HCP is located; (2) if the Service Provider is not providing identical or similar services, the Service Provider must ensure its rural rate is the average of the tariffed and other publicly available rates charged in the rural area for the same or similar services by other carriers; or (3) if there are no tariffed or publicly available rates for such services in that rural area or if the Service Provider reasonably determines the rate is unfair, the Service Provider must submit its cost-based rates to the state commission (for intrastate rates) or submit the cost-based rates to the FCC for approval (for interstate rates).⁹ The Service Provider can learn more about rural rates by visiting USAC's website at <https://www.usac.org/wp-content/uploads/rural-health-care/documents/handouts/TelecomRuralUrbanRateInfo-1.pdf> and at <https://www.usac.org/rural-health-care/telecommunications-program/step-4-submit-funding-requests/>. In addition, AAD recommends that the Service Provider visit USAC's website at <https://www.usac.org/rural-health-care/learn/> to become familiar with the training and outreach available from the RHC program.

SERVICE PROVIDER RESPONSE

We have reviewed the audit report, including all Recommendations, and following our discussion during the out [sic] brief call, DRS Global understands the audit finding and has no further questions. We agree with and intend to implement all of the audit team's Recommendations. In fact, over the past several years, DRS Global, as part of ongoing process improvement initiatives, has already implemented a majority of the Recommendations. For example, we have implemented processes requiring that all RHC bids be reviewed by contracts, compliance, and legal functions prior to submission. We have also increased our internal expertise regarding relevant USAC and FCC rules by participating in available training opportunities and by reviewing the FCC Daily Brief and other announcements of FCC or USAC policy guidance for industry. We appreciate the professional manner in which the audit was conducted and consider this matter closed.

CRITERIA

1. The 47 C.F.R. § 54.619(d) (2016) states:

“Service providers shall retain documents related to the delivery of discounted services under the Telecommunications Program for at least 5 years after the last day of the delivery of discounted services. Any other document that demonstrates compliance with the statutory or regulatory requirements for the rural health care mechanism shall be retained as well.”

⁹ See 47 C.F.R. § 54.607(b) (2016) (“If there are no tariffed or publicly available rates for such services in that rural area, or if the carrier reasonably determines that this method for calculating the rural rate is unfair, then the carrier shall submit for the state commission's approval, for intrastate rates, or the Commission's approval, for interstate rates, a cost-based rate...”) (Method 3).

2. The 47 C.F.R. § 54.607(a) (2016) states:

“The rural rate shall be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier providing the service in the rural area in which the health care provider is located. The rates included in this average shall be for services provided over the same distance as the eligible service. The rates averaged to calculate the rural rate must not include any rates reduced by universal service support mechanisms. The “rural rate” shall be used as described in this subpart to determine the credit or reimbursement due to a telecommunications carrier that provides eligible telecommunications services to eligible health care providers.”

3. The 47 C.F.R. § 54.702(n) (2016) states:

“When the Administrator, or any independent auditor hired by the Administrator, conducts audits of the beneficiaries of the Universal Service Fund, contributors to the Universal Service Fund, or any other providers of services under the universal service support mechanisms, such audits shall be conducted in accordance with generally accepted government auditing standards.”

4. The 47 C.F.R. § 54.607(b) (2016) states:

“If the telecommunications carrier serving the health care provider is not providing any identical or similar services in the rural area, then the rural rate shall be the average of the tariffed and other publicly available rates, not including any rates reduced by universal service programs, charged for the same or similar services in that rural area over the same distance as the eligible service by other carriers. If there are no tariffed or publicly available rates for such services in that rural area, or if the carrier reasonably determines that this method for calculating the rural rate is unfair, then the carrier shall submit for the state commission’s approval, for intrastate rates, or the Commission’s approval, for interstate rates, a cost-based rate for the provision of the service in the most economically efficient, reasonably available manner.”

****This concludes the report.****