



Rural Health Care Committee Meeting

Audit Report Briefing Book

Monday, July 25, 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 Reports Released: April 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Wise Regional Health System/Fit-N-Wise Physical Therapy (Decatur) Attachment A	0	<ul style="list-style-type: none"> Not applicable. 	\$130,997	\$0	\$0	\$0	N
Total	0		\$130,997	\$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.

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Attachment A

RH2021LR006

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Wise Regional Health System/Fit-N-Wise Physical Therapy (Decatur)

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

USAC Audit No. RH2021LR006

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EXECUTIVE SUMMARY

January 19, 2022

Todd Scroggins, Chief Financial Officer
Wise Regional Health System / Fit-N-Wise Physical Therapy (Decatur)
609 Medical Center Drive
Decatur, TX 76234

Dear Mr. Scroggins:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Wise Regional Health System / Fit-N-Wise Physical Therapy (Decatur) (Beneficiary), Health Care Provider (HCP) Number 25489, 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 Beneficiary's management. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on the limited review 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, as amended). 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 service providers, the type and amount of services received, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary'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 did not disclose any areas of non-compliance with the FCC Rules that were examined and 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 Beneficiary, 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 Senior 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

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Rural Health Care Healthcare Connect Fund program support amounts committed and disbursed to the Beneficiary for Funding Year 2018 (audit period):

Service Type	Amount Committed	Amount Disbursed
Ethernet	\$96,997	\$96,997
Dedicated Internet Access	\$34,000	\$34,000
Total	\$130,997	\$130,997

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

The committed total represents three FCC Form 462 applications with three Funding Request Numbers (FRNs). AAD selected two FRNs,¹ which represent \$102,138 of the funds committed and \$102,138 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2018 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary provides healthcare services within Decatur, Texas.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the Rural Health Care (RHC) Healthcare Connect Fund (HCF) Program. Specifically, AAD examined documentation to support its effective use of funding and that adequate controls exist to determine whether funds were used in accordance with the FCC Rules. AAD conducted inquiries and inspection of documentation to determine whether the Beneficiary used funding as indicated in its Network Cost Worksheets (NCWs).

AAD examined the FCC Forms 462 and the FCC Form 462 Attachments to determine whether the Beneficiary identified the participating HCPs and documented the allocation of eligible costs related to the provision of health care services. AAD also examined the Network Cost Worksheets (NCW) to determine whether ineligible costs, if any, were identified and ineligible entities, if any, paid their fair share.

¹ The FRNs included in the scope of this audit were: 18338571 and 18339021.

B. Competitive Bid Process

AAD conducted inquiries of the Beneficiary to determine that no bids were received for the requested services. AAD examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on USAC's website before signing contracts with the selected service provider(s) or properly retaining services with the incumbent service provider(s) under an existing contract. If a contract was executed for the funding year under audit, AAD reviewed the service provider(s) contract to determine whether it was properly executed. AAD evaluated the services requested and purchased to determine whether the Beneficiary selected the most cost-effective option.

C. Eligibility

AAD conducted inquiries and inspection of documentation to determine whether the Beneficiary's eligible HCPs were public or non-profit eligible health care providers. AAD examined documentation to determine whether more than 50 percent of the eligible HCP sites were located in a rural area and determined whether the eligible HCPs' physical addresses were the same as listed on the FCC Form 462 applications and NCWs. AAD conducted inquiries and examined documentation to determine whether the HCPs participating in the HCF program may have been funded by the RHC HCF Program for the same services funded by the RHC Telecommunications Program.

D. Invoicing Process

AAD examined invoices for which payment was disbursed by USAC to determine whether the services identified on the FCC Form 463 service provider invoices submitted to USAC and the corresponding service provider bills submitted to the Beneficiary were consistent with the HCF program disbursements did not exceed 65 percent of the total eligible costs.

E. Health Care Provider Location

AAD determined through inquiry and inspection of documentation whether the services were provided 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.

This concludes the report.

Summary of Rural Health Care Support Mechanism Beneficiary Audit Reports Released: June 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
AboutHealth NP LLC Attachment B	2	<ul style="list-style-type: none"> No significant findings. 	\$2,006,123	\$87,750	\$87,750	\$66,298	N
CDCR CCHCS Consortium Attachment C	0	<ul style="list-style-type: none"> Not applicable. 	\$3,313,943	\$0	\$0	\$0	N
Total	0		\$5,320,066	\$87,750	\$87,750	\$66,298	

* 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 B

RH2019BE006

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AboutHealth NP, LLC

Performance Audit on Compliance with the Federal Universal Service Fund Rural
Health Care Support Mechanism Healthcare Connect Fund Program Rules
USAC Audit No. RH2019BE006

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EXECUTIVE SUMMARY

May 19, 2022

Ms. Teleshia Delmar, Vice President – Audit and Assurance Director
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of AboutHealth NP, LLC (Beneficiary), Health Care Provider Number (HCP) 53711, using regulations and orders governing the federal Universal Service Rural Health Care Support Mechanism, Healthcare Connect Fund program set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our audit.

DPG 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 DPG 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 service providers, the type and amount of services received, physical inventory of equipment purchased and maintained, as well as performing other procedures DPG considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for DPG's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit disclosed two detailed audit findings (Findings) discussed in the Audit Results and 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 Beneficiary, and 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.

Sincerely,

DP George & Company, LLC
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer
Mark Sweeney, USAC Vice President, Rural Health Care Division

AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect	Recommended Recovery	Commitment Adjustment
Finding #1: 47 C.F.R. § 54.642(g) (2016) – Beneficiary Executed a Contract for Services Prior to Expiration of the 28-Day Competitive Bidding Period. The Beneficiary executed a contract for services prior to expiration of the 28-day required competitive bidding period.	\$ 66,298	\$ 66,298	\$ 66,298
Finding #2: 47 C.F.R. § 54.645 (b) (2016) – Service Provider Submitted FCC Form 463 Invoices for Disconnected Services or for Charges it did not Assess to the Beneficiary. The amount reflected on service provider bills selected for sampling supported a lower amount than the amount submitted on the FCC Form 463 invoice.	\$ 21,452	\$ 21,452	\$ 0
Total	\$ 87,750	\$ 87,750	\$ 66,298

USAC MANAGEMENT RESPONSE

Regarding Finding #1, RHC will remind applicants of the competitive bidding rules through the standard outreach mediums. RHC will seek recovery of \$66,298 and perform a decommitment of \$66,298.

Regarding Finding #2, RHC will remind applicants through standard outreach mediums that monthly bills/invoices must match the originally (or modified) committed services and amounts and USAC must be notified of any changes to that amount and or services. RHC will seek recovery of \$21,452 for Finding #2, for a total recovery amount of \$87,750.

PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the overall Healthcare Connect Fund (HCF) program support amounts committed and disbursed to the Beneficiary for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Facilities or Services – Ethernet	\$ 1,528,157	\$1,528,157
Leased/Tariffed Facilities or Services – Internet	\$ 241,536	\$ 241,536
Leased/Tariffed Facilities or Services – ISDN PRI	\$ 133,375	\$ 131,425
Leased/Tariffed Facilities or Services – T-1/DS-1	\$ 75,365	\$ 73,571

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Facilities or Services – T-3/DS-3	\$ 31,434	\$ 31,434
Total	\$ 2,009,867	\$2,006,123

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

The committed total represents 23 FCC Form 462 applications with 23 Funding Request Numbers (FRNs). DPG selected 10 FRNs¹ issued in Funding Year 2017 which represents \$1,875,200 of the funds committed and \$1,875,200 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 Beneficiary.

BACKGROUND

The Beneficiary represents a consortium of five health care providers serving Wisconsin, Michigan, and Illinois. The five providers include Aspirus, Inc.; Aurora Health Care, Inc.; Bellin Health; ProHealth Care; and ThedaCare, Inc. Funding provided by the 23 FRNs approved in FY 2017 was used to support network connections for voice, ethernet, and internet services. The consortium used the HCF funded connections for the transmission of electronic medical records and picture archiving and communications, disaster recovery services, and research and tele-health services.

PROCEDURES

DPG performed the following procedures:

A. Application Process

DPG obtained an understanding of the Beneficiary’s processes relating to the Rural Health Care (RHC) HCF program application process. Specifically, DPG obtained and reviewed the FCC Form(s) 460 and related attachments to determine whether the Beneficiary identified the participating HCPs in the network. DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary’s FCC Form 460 application process and related controls, the role of the Consortium Leader in the application process, and any outside support received from third parties with respect to the application process.

DPG obtained and reviewed documentation to determine whether the Consortium Leader obtained the appropriate Letters of Agency or Letters of Exemption for the consortium members and/or consortium HCPs authorizing the Consortium Leader to act on their behalf and participate in the network.

B. Competitive Bid Process

DPG obtained an understanding of the Beneficiary’s competitive bidding process. Specifically, DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary’s FCC Form 461 preparation process, bid posting and bid receipt process, and bid review and evaluation process, including related controls.

¹ The FRNs included in the scope of this audit were: FRNs 17251431, 17251521, 17251581, 17251811, 17251851, 17252351, 17252991, 17263251, 17274401 and 17275971.

DPG obtained and reviewed documentation to determine whether the Beneficiary conducted a fair and open competitive bidding process in selecting a service provider to provide eligible services. DPG used inquiry and review of documentation to determine whether the Beneficiary established evaluation criteria where no factor was weighted more heavily than price, properly considered and declared any assistance provided, prepared a request for proposal (where required), prepared a network plan, and posted the appropriate bidding documents to the USAC website. DPG obtained evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on USAC's website before selecting a service provider or met the requirements for any competitive bidding exemptions claimed. DPG evaluated the services requested and purchased to determine whether the Beneficiary selected the most cost-effective option.

C. Funding Request Process

DPG obtained an understanding of the Beneficiary's funding request process. Specifically, DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary's FCC Form 462 and related Network Cost Worksheet (NCW) preparation processes and related controls.

DPG obtained and reviewed the FCC Forms 462 and the FCC Forms 462 attachments to determine whether the Beneficiary identified the participating HCPs and documented the allocation of eligible costs related to the provision of health care services. DPG also obtained and reviewed the NCWs to determine whether ineligible costs, if any, were identified and ineligible entities, if any, paid their fair share. DPG used inquiry, direct observation, and inspection of documentation to determine whether the Beneficiary used funding as indicated in its NCWs.

DPG used inquiry, direct observation, and inspection of documentation to determine whether the Beneficiary's member HCPs were public or non-profit eligible health care providers and that a fair share allocation was properly applied for any ineligible entities. DPG determined whether the eligible HCPs' physical addresses were the same as those listed on the FCC Form 462 applications and NCWs. DPG used inquiry and inspection of documentation to determine whether funding requested for any non-rural hospital sites with 400 or more licensed patient beds was consistent with the limits set forth in the FCC Rules. DPG used inquiry and reviewed documentation to determine whether the HCPs participating in the consortium received funding in the HCFC program for the same services for which they requested support in the RHC Telecommunications program. DPG also obtained and reviewed documentation to determine whether more than 50 percent of the sites in the consortium were rural HCPs within three years from its first request for HCF support.

D. Health Care Provider Location

DPG determined through inquiry, direct observation, and inspection of documentation whether the services were provided and were functional. DPG also determined through inquiry, direct observation, and inspection of documentation whether the supported services were used for purposes reasonably related to the provision of health care services and in accordance with the FCC Rules.

E. Invoicing Process

DPG obtained an understanding of the Beneficiary's invoicing process. Specifically, DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary's FCC Form 463 preparation and submission process.

DPG obtained and reviewed a sample of invoices for which payment was disbursed by USAC to determine whether the services identified on the FCC Form 463 service provider invoices submitted to USAC and the corresponding service provider bills submitted to the Beneficiary were consistent. DPG obtained and reviewed documentation to determine whether the Beneficiary paid its required 35 percent minimum contribution and that the required contribution was from eligible sources. DPG also obtained and reviewed documentation to determine whether the HCF program disbursements did not exceed 65 percent of the total eligible costs.

F. Reporting Process

DPG obtained and reviewed documentation to determine whether the Beneficiary timely submitted its annual reports to the RHC program and whether the reports included the required information. DPG obtained and reviewed the Sustainability Plan, if applicable, and Network Plan(s) to determine whether they included the required content. DPG did not assess the reasonableness of the Sustainability Plan or whether the Beneficiary could meet or maintain the objectives described in that plan since the FCC Rules do not define how to assess the reasonableness of the content in the Sustainability Plan.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.642(g) (2016) – Beneficiary Executed a Contract for Services Prior to Expiration of the 28-Day Competitive Bidding Period

CONDITION

DPG obtained and examined the Beneficiary’s Requests for Proposal (RFP) for FY 2017, FCC Forms 461, and attachments; competitive bidding documentation; FCC Forms 462 and attachments with associated NCWs; FCC Forms 463; and Service Provider contracts to determine whether the Beneficiary conducted a fair and open competitive bid process in compliance with 47 C.F.R. § 54.642. DPG determined that the Beneficiary did not comply with competitive bidding requirements when selecting the Service Provider for the provision of new Ethernet services funded under FRN 17275971.² The Beneficiary executed a pricing schedule for the installation of new Switched Ethernet Services for a 36-month term as a customer order under an existing master service agreement with its Service Provider. Installation of the new circuits was expected to occur at the beginning of the funding year. The new pricing schedule agreement was executed prior to the end of the required 28-day competitive bidding period.³ Although the agreement was executed prior to the posting of the FCC Form 461 and RFP Number 2 (RFP02) on May 17, 2017 and prior to the start of the funding year, it did not qualify as a valid “standing bid” because the related services were not installed before the start of the competitive bidding process.⁴ In reviewing the NCWs and Form 462 Attachments, DPG identified 19 new circuits listed under FRN 17275971, IDs 12 – 30, where the new Service Provider agreement was signed prior to the expiration of the 28-day competitive bidding period. No bid responses were received for these FRN IDs in response to the RFP02 posting.

CAUSE

The Beneficiary was not aware that for a contract signed before the end of the 28-day to qualify as a “standing bid” it must represent existing services only and circuits for the contracted service must be installed prior to the start of the competitive bidding process.

EFFECT

FRN	Funding Year	Monetary Effect	Recommended Recovery	Commitment Adjustment
17275971	2017	\$ 66,298	\$ 66,298	\$ 66,298

² See 47 C.F.R. §54.642(a) (2016).

³ See 47 C.F.R. §54.642(g) (2016).

⁴ See *Request for Review; Franciscan Skemp Waukon Clinic, Waukon, Iowa; Rural Health Care Universal Service Support Mechanism*, WC Docket No. 02-60, Order, 29 FCC Rcd 11714, 11715, para. 3 (2014) (“[A]pplicants may use contracts signed before the expiration of the 28-day waiting period if: (i) the applicant is choosing to continue service under an existing contract; (ii) the applicant competitively bid the services for the new funding year; and (iii) the applicant decides, after reviewing the competitive bids, to continue with the existing contract.”).

DPG calculated the Monetary Effect by summing the amount of support the Beneficiary claimed on the FCC Form 463 invoices for FRN 17275971 IDs 12 – 17, 19 – 25, and 27 – 30. The Beneficiary did not invoice for FRN IDs 18 and 26.

RECOMMENDATION

DPG recommends USAC management seek recovery of the amounts identified in the Effect section above, as well as a downward commitment adjustment. DPG also recommends that the Beneficiary establish control procedures to ensure it initiates a fair and open competitive bid process as required by 47 C.F.R. § 54.642 and contracts executed for funding are open to competition prior to filing the FCC Form 462 Request for Funding.

BENEFICIARY RESPONSE

AboutHealth understands the condition, cause, effect, and recommendation made by DPG and are not disputing this finding. We are continuously working to improve our process with more frequent member communication and education to avoid a repeat finding of this nature.

Finding #2: 47 C.F.R. § 54.645 (b) (2016) – Service Provider Submitted FCC Form 463 Invoices for Disconnected Services or for Charges it did not Assess to the Beneficiary

CONDITION

DPG obtained and examined documentation, including the FCC Forms 462 Healthcare Connect Fund Funding Request Form and attachments, associated NCWs, FCC Forms 463 Invoice and Request for Disbursement Form, and the corresponding Service Provider bills made available by the Beneficiary to determine whether the HCF program was invoiced only for the cost of approved, eligible services actually provided for FRNs 17251521, 17251581, 17251811, 17252351, and 17263251. DPG determined that the Beneficiary over-invoiced the HCF program for services that were actually charged at a lower monthly rate than the amounts requested on the Beneficiary's FCC Form 462 Attachments and associated NCWs for FRNs 17251521, 17251811, 17252351, and 17263251. DPG also determined that amounts were invoiced in the FCC Forms 463 for disconnected services on FRNs 17251581 and 1725351.⁵

Based on our review of the Service Provider bills supporting FCC Forms 463 we identified five FRN IDs that were invoiced for amounts greater than the monthly rates charged on the Service Provider bills. DPG reviewed invoice numbers 1000050253, 20171000050253, and 1000059252 for FRN 17251521; invoice numbers 1000050300, 20171000050300, and 1000057194 for FRN 17251811; 1000046823, 20171000046823, 1000047344, 20171000047344, and 1000059277 for FRN 17252351; and invoice numbers 1000050753, 20171000050753, 1000053531, and 20171000053531 for FRN 17263251.

For FRN 17251521 ID 21 (Ethernet service), the monthly undiscounted cost of \$1,610 was approved on the NCW and invoiced on the FCC Forms 463 for 12 months. However, the Service Provider billed the Beneficiary \$990 for the months of November 2017 through June 2018.

⁵ See 47 C.F.R. §54.645(b) (2016).

For FRN 17251811, ID 2 (Ethernet service), the undiscounted cost of \$3,522 was approved on the NCW and invoiced on the FCC Forms 463 for 12 months. However, the rate charged on the Service Provider bills was \$3,506 for the months of August 2017 through June 2018.

For FRN 17252351, IDs 22 and 25 (Ethernet service), the undiscounted cost of \$1,838 was approved on the NCW for FRN ID 22 and invoiced on the FCC Form 463 for 12 months. However, the rate charged on the Service Provider bills was \$1,796 for the months of December 2017 through June 2018. The undiscounted cost of \$6,909 was approved on the NCW for FRN ID 25 and invoiced on the FCC Forms 463 for 12 months. However, the rate charged on the Service Provider bills was \$6,750 for the months of November 2017 through June 2018.

For FRN 17263251 ID 3 (Internet service), the monthly undiscounted cost of \$6,579 was approved on the NCW and invoiced on the FCC Forms 463 for 12 months. However, the rate charged on the Service Provider bills was \$3,216 for the months of July 2017 through October 2017, \$5,192 for the months of November 2017 through January 2018, \$5,356 for the months of February through April, \$5,078 for the month of May 2018, and \$4,889.19 for the month of June 2018.

Based on our review of the Service Provider bills supporting FCC Forms 463 we identified six FRN IDs that were invoiced by the Beneficiary for periods occurring after the disconnect date for the services. DPG reviewed invoice numbers 1000050291, 20171000050291, 1000053222, and 20171000053222 for FRN 17251581 and invoice number 1000059277 for FRN 17252351.

For FRN 17251581, ID 6 and ID 7 (Ethernet service) and ID 8 and ID 9 (T-1/DS-1 service), costs were invoiced on the FCC Forms 463 for the period from July 2017 through June 2018. However, services for all four IDs were disconnected on June 5, 2018. For FRN ID 11 (Ethernet service), costs were invoiced on the FCC Form 463 for each of the 12 months during the funding year. However, service was disconnected on January 11, 2018.

For FRN 17252351, ID 7 (Internet service), costs were invoiced on the FCC Form 463 for the period from July 2017 through June 2018. However, service was disconnected on May 18, 2018.

CAUSE

The Beneficiary prepared the FCC Forms 463 based on the costs listed in the NCW and did not realize that the monthly costs had decreased during the funding period or that the services were disconnected prior to the end of the funding period.

EFFECT

FRN	Funding Year	Monetary Effect	Recommended Recovery
17251521	2017	\$ 3,224	\$ 3,224
17251581	2017	\$ 1,034	\$ 1,034
17251811	2017	\$ 116	\$ 116
17252351	2017	\$ 1,073	\$ 1,073
17263251	2017	\$ 16,005	\$ 16,005

FRN	Funding Year	Monetary Effect	Recommended Recovery
Total		\$ 21,452	\$ 21,452

DPG calculated the Monetary Effect by determining the amount of support the Beneficiary should have claimed based on the actual Service Provider billed amounts and disconnect dates and subtracting that amount from the amount invoiced by the Beneficiary on the corresponding FCC Form 463.

RECOMMENDATION

DPG recommends USAC management seek recovery of the amounts identified in the Effect section above. DPG also recommends that the Beneficiary establish control procedures to confirm amounts invoiced are consistent with Service Provider bills and ensure that accurate billing end dates are listed on the FCC Form 463 when performing invoicing.

BENEFICIARY RESPONSE

AboutHealth understands the condition, cause, effect and recommendation made by DPG. We have evolved our processes since 2017 to better track eligible services moves, adds, changes, and disconnects (I.e. MACDs) throughout the year, and a funding verification step, which confirms the eligible services are still in place and matches the funding request prior to FCC Form 463 initiation and throughout the reimbursement cycle to improve accuracy.

CRITERIA

Finding	Criteria ⁶	Description
#1	47 C.F.R.§54.642(a) (2016)	<i>“Competitive bidding requirement.</i> All applicants are required to engage in a competitive bidding process for supported services, facilities, or equipment consistent with the requirements set forth in this subpart, unless they qualify for one or more of the exemptions in paragraph (h) below. In addition, applicants may engage in competitive bidding even if they qualify for an exemption. Applicants who utilize a competitive bidding exemption may proceed directly to filing a funding request as described in § 54.643.”
#1	47 C.F.R.§54.642(g) (2016)	“After posting the documents described in paragraph (f) of this section on its Web site, the Administrator shall send confirmation of the posting to the applicant. The applicant shall wait at least 28 days from the date on which its competitive bidding documents are posted on the Web site before selecting and committing to a vendor.”
#1	<i>Request for Review; Franciscan Skemp Waukon Clinic, Waukon, Iowa; Rural Health Care Universal Service Support Mechanism, WC Docket No. 02-60, Order, 29 FCC Rcd 11714, 11715, para. 3 (2014)</i>	“The Commission’s competitive bidding requirements prohibit applicants from signing a service contract before the expiration of the 28-day waiting period. In the <i>Kalamazoo Order</i> , however, the Commission determined that applicants may use contracts signed before the expiration of the 28-day waiting period if: (i) the applicant is choosing to continue service under an existing contract; (ii) the applicant competitively bid the services for the new funding year; and (iii) the applicant decides, after reviewing the competitive bids, to continue with the existing contract.”
#2	47 C.F.R.§54.645 (b) (2016)	Before the Administrator may process and pay an invoice, both the Consortium Leader (or health care provider, if participating individually) and the vendor must certify that they have reviewed the document and that it is accurate. All invoices must be received by the Administrator within six months of the end date of the funding commitment.

⁶ The referenced criteria cite the applicable section of the FCC Rules in effect during the audit period. The Rural Health Care Support Mechanism rules were subsequently re-codified and the comparable rules section under the current Code of Federal Regulations (C.F.R.) may be different.

Attachment C

RH2021LR016

Available For Public Use

***Report on the Limited Scope Performance Audit over
Compliance with the Federal Universal Service Fund Rural
Health Care Support Mechanism Rules***

for

***California Department of Corrections and Rehabilitation
California Correctional Health Care Services***

Audit No. RH2021LR016

April 28, 2022



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Kearney & Company, P.C.'s TIN is 54-1603527, DUNS is 18-657-6310, CAGE Code is 1SJI4

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Executive Summary

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street NW, Suite 900
Washington, D.C. 20005

Dear Ms. Delmar:

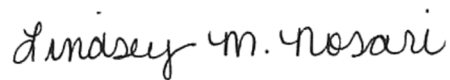
Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the compliance of California Department of Corrections and Rehabilitation California Correctional Health Care Service (Beneficiary), Health Care Provider (HCP) Number 35632, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (CFR) Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary’s management. Kearney’s responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on the limited scope performance audit.

Kearney 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 Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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 service providers, the type and number of services received, and physical inventory of equipment purchased and maintained, as well as performing other procedures Kearney considered necessary to make a determination regarding the Beneficiary’s compliance with the FCC Rules. The evidence obtained provides a reasonable basis for Kearney’s findings and conclusions based on the audit objectives.

Based on the testwork performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were examined and in effect during the audit period.

Certain information may have been omitted from this report concerning communications with Universal Service Administrative Company (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 Beneficiary, and the 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.

Sincerely,



Lindsey Nosari
Engagement Partner

CC: Radha Sekar, USAC Chief Executive Officer (CEO)
Mark Sweeney, USAC Vice President (VP), RHC Division

Objective

As requested by the Universal Service Administrative Company (USAC), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the compliance of California Department of Corrections and Rehabilitation California Correctional Health Care Service (Beneficiary), Health Care Provider (HCP) Number 35632, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (CFR) Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States (2018 Revision).

The objective of the performance audit is to determine compliance with FCC Rules and RHC Healthcare Connect Fund (HCF) program requirements relating to Funding Year 2018 (audit period). Specifically, our objective is to confirm that the Beneficiary:

- Is eligible and is made up of members who are eligible to participate in the HCF program
- Follows FCC Rules for the Request for Proposal (RFP) and competitive bidding processes
- Appropriately completes invoicing and billing procedures between the Beneficiary, USAC, and the service providers.

Please see *Appendix A* – Scope and Methodology of the Audit of this report for the scope and methodology of the audit.

Background

The Beneficiary is a consortium that provides care that includes medical, dental, and mental health services to California’s incarcerated population at all 34 California Department of Corrections and Rehabilitation (CDCR) institutions statewide.

Audit Results

We conducted this performance audit in accordance with GAGAS, issued by the Comptroller General of the United States (2018 Revision). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

Kearney concludes that the Beneficiary adequately complied with FCC Rules and RHC HCF Program requirements relating to its Funding Year 2018. We based our conclusion on the

evidence obtained and our evaluation of that evidence against the criteria, along with the audit results. Kearney did not note any findings or other matters that we determined warrant the attention of USAC or the Beneficiary.

APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT

Scope and Limitations

Exhibit 1 below summarizes the Rural Health Care (RHC) Healthcare Connect Fund (HCF) Program support amounts committed and disbursed to the California Department of Corrections and Rehabilitation California Correctional Health Care Service (Beneficiary) for the audit period:

Exhibit 1: Total Committed and Disbursed

Service Type	Amount Committed	Amount Disbursed
Leased Facilities or Services	\$2,755,626	\$2,699,094
Network Design	\$5,281	\$5,281
Network Equipment	\$602,369	\$602,369
Network Management/Maintenance/ Operations Costs	\$7,199	\$7,199
Total	\$3,370,475	\$3,313,943

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

The committed total represents eight Federal Communications Commission (FCC) Form 462 applications with eight Funding Request Numbers (FRN). Kearney & Company, P.C. (Kearney) selected three FRNs to be the scope of this performance audit, which represent \$2,745,752 of the funds committed and \$2,745,752 of the funds disbursed during the audit period. Kearney performed the procedures enumerated below with respect to Funding Year 2018 applications submitted for these three FRNs by the Beneficiary:

- FRNs 18337431, 18388081, 18388871.

Methodology and Work Performed

Kearney performed the following procedures:

A. Application Process

Kearney obtained an understanding of the Beneficiary's processes relating to the RHC HCF program. Specifically, we examined documentation to support its effective use of funding and determine that adequate processes exist to determine whether funds were used in accordance with the FCC Rules. Kearney conducted inquiries, observations, and inspections of documentation to determine whether the Beneficiary used funding as indicated in its Network Cost Worksheets (NCW).

Kearney examined documentation to determine whether the Project Coordinator obtained Letters of Agency from the Beneficiary's network of Health Care Providers (HCP) and/or

the HCP's health systems authorizing the Beneficiary's lead entity and/or Project Coordinator to act on their behalf, confirming the HCP's agreement to participate in the network, the specific timeframe the Letter of Agency covers, and the type of services covered by the Letter of Agency. Kearney examined the FCC Forms 462 and the FCC Form 462 Attachments to determine whether the Beneficiary identified the participating HCPs and documented the allocation of eligible costs related to the provision of health care services. We also examined the NCW to determine whether ineligible costs, if any, were identified and ineligible entities, if any, paid their fair share.

B. Competitive Bid Process

Kearney conducted inquiries of the Beneficiary to determine that no bids were received for the requested services. We examined evidence that the Beneficiary received a bid exemption due to a Government Master Service Agreement (MSA). Because of this MSA, no FCC Form 461 was submitted, the Beneficiary was not required to wait 28 days before signing a contract, and no bids were evaluated. Kearney reviewed the service provider contract to determine whether it was properly executed.

C. Eligibility

Kearney conducted inquiries and virtual observations and examined documentation to determine whether the Beneficiary's eligible HCPs were public or non-profit-eligible HCPs. We examined documentation to determine whether more than 50% of the sites in the consortium were rural HCPs and determined whether the member HCP's physical addresses were the same as listed on the FCC Form 462 applications and NCWs. Kearney conducted inquiries and examined documentation to determine whether the HCPs participating in the consortium received funding in the HCF program for the same services for which they requested support in the RHC Telecommunications program.

D. Invoicing Process

Kearney examined invoices for which payment was disbursed by the Universal Service Administrative Company (USAC) to determine whether the services identified on the FCC Form 463 service provider invoices submitted to USAC and the corresponding service provider bills submitted to the Beneficiary were consistent with the terms and specifications of the service provider agreements. We examined documentation to determine whether the Beneficiary paid its required 35% minimum contribution and determine whether the required contribution was from eligible sources. Kearney also examined documentation to determine whether the HCF program disbursements did not exceed 65% of the total eligible costs.

E. Reporting Process

Kearney examined documentation to determine whether the Beneficiary timely submitted its annual reports to the RHC program and whether the reports included the required information. We examined the Sustainability Plan to determine whether it included the required content. Kearney did not examine a Network Plan, as no Network Plans were submitted due to the MSA bidding exemption. Additionally, we did not assess the reasonableness of the Sustainability Plan or whether the Beneficiary can meet or maintain the objectives described in that plan, since the FCC Rules do not define how to assess the reasonableness of the content included in the Sustainability Plan.

F. HCP Location

Kearney determined, through inquiry and virtual observation, whether the services were provided and were functional. We also determined, through inquiry and virtual observation, whether the supported services were used for purposes reasonably related to the provision of health care services and in accordance with the FCC Rules.

Work Related to Internal Controls

In accordance with Generally Accepted Government Auditing Standards (GAGAS) 8.39, Kearney determined that internal controls surrounding the Beneficiary's compliance with the HCF program and select FCC rules and regulations are not significant to the audit objectives. Our audit objective is to determine the compliance of the Beneficiary's funds disbursed under sampled FRNs; therefore, our testing procedures were designed to meet that objective.