Rural Health Care Committee Meeting

Audit Report Briefing Book

Monday, October 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 Reports Released: July 2022

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Mercy Health Consortium **Attachment A**	2	• The Beneficiary Did Not Demonstrate the Reasonableness of the Percentages Used to Allocate the Fair Share of Expenses: The Beneficiary did not establish objective criteria for the percentages used when allocating shared services between eligible and ineligible entities.	$1,933,798	$407,999	$20,204	$0	N
CHA Broadband Services **Attachment B**	0	• Not applicable.	$3,830,684	$0	$0	$0	N
NTUA Wireless, LLC **Attachment C**	2	• Inadequate Documentation – Beneficiary Did Not Demonstrate RHC Telecommunications Program Support Was Used for the Provision of Health Care Services: The Beneficiary did not provide adequate documentation identifying the dates and number of patients serviced.	$1,171,560	$235,750	$235,750	$0	Partial

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Windstream-Mercyhealth **Attachment D**	1	• Inadequate Documentation – Monthly Recurring Cost Allocations Could Not Be Substantiated: The Beneficiaries did not provide support for its method of allocating the total monthly recurring cost to three locations.	$688,452	$163,508	$163,508	$0	Y
Total	**5**		**$7,624,494**	**$807,257**	**$419,462**	**$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

RH2019BE007

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Mercy Health Consortium

Performance Audit on Compliance with the Federal Universal Service Fund Rural Health Care Support Mechanism Healthcare Connect Fund Program Rules
USAC Audit No. RH2019BE007

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DP George & Company

EXECUTIVE SUMMARY

June 17, 2022

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of Mercy Health Consortium (Beneficiary), Health Care Provider Number (HCP) 49628, 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 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,

DP George & Company, LLC

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 (A)	Recovery Adjustment[1] (B)	Recommended Recovery (A)-(B)
Finding #1: 47 C.F.R. § 54.639(d)(1) – Beneficiary Did Not Demonstrate the Reasonableness of Percentages Used to Allocate the Fair Share of Expenses. The Beneficiary did not establish objective criteria for the percentages used when allocating shared services between eligible and ineligible entities.	$ 387,795	$ 387,795	$ 0
Finding #2: 47 C.F.R. § 54.645(b) – FCC Form 463 Invoice Support: Amount Invoiced Exceeds Service Provider Billed Amount. The amount reflected on service provider bills selected for sampling supported a lower amount than the amount submitted on the FCC Form 463 invoice.	$ 20,204	$ 0	$ 20,204
Total	**$ 407,999**	**$ 387,795**	**$ 20,204**

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of $20,204.

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 (FY) 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Facilities or Services – Digital Subscriber Line (DSL)	$ 1,153	$ 1,153

[1] The Beneficiary was not able to provide objective criteria to support the fair share percentages used in the NCWs and FCC Forms 463 during the audit fieldwork period. In its response to Finding #1, the Beneficiary identified criteria to calculate the fair share percentages applicable to FY 2017 which were consistent with the amounts previously included in the FCC Forms 462 and 463. The Beneficiary subsequently provided documentation to substantiate the fair share percentages in its response to Finding #1 and DPG determined the basis was reasonable. As a result, the Recommended Recovery for Finding #1 has been adjusted to zero.

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Facilities or Services – Ethernet	$ 1,158,890	$ 1,158,890
Leased/Tariffed Facilities or Services – Internet	$ 112,394	$ 112,394
Leased/Tariffed Facilities or Services – Integrated Digital Service Network (ISDN)	$ 80,903	$ 80,903
Leased/Tariffed Facilities or Services – ISDN Basic Rate Interface (BRI)	$ 4,218	$ 4,218
Leased/Tariffed Facilities or Services – ISDN Primary Rate Interface (PRI)	$ 412,593	$ 412,593
Leased/Tariffed Facilities or Services – Multiprotocol Label Switching (MPLS)	$ 79,327	$ 79,327
Leased/Tariffed Facilities or Services – T-1/DS-1	$ 26,655	$ 26,655
Leased/Tariffed Facilities or Services – T-3/DS-3	$ 57,665	$ 57,665
Total	**$ 1,933,798**	**$ 1,933,798**

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

The committed total represents 31 FCC Form 462 applications with 31 Funding Request Numbers (FRNs). DPG selected 14 FRNs[2] issued in FY 2017, which represents $1,738,543 of the funds committed and $1,738,543 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the FY 2017 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary is a consortium of health care providers owned and operated by the Mercy Health Consortium. The consortium provides healthcare services in Ohio and Kentucky that serve seven markets: Cincinnati, Toledo, Youngstown, Lima, Lorain and Springfield in Ohio and Paducah in Kentucky. Funding provided by the 31 FRNs approved in FY 2017 was used to support network connections for voice, ethernet, and internet services. The HCF funded connections were used to connect remote sites to the hospital's information systems and provide a central source for patient information. Connecting remote clinics to the hospitals' networks allow the clinics to access all of their resources including primary Electronic Medical Record (EMR) applications as well as current and NextGen information 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 inquiries 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.

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[2] The FRNs included in the scope of this audit were: FRNs 17222521, 17222611, 17223161, 17224391, 17224451, 17224471, 17224481, 17224631, 17225221, 17225301, 17225901, 17247511, 17250711, and 17250871.

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 inquiries 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.

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 its 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 the funding requested for any non-rural hospital sites with 400 or more licensed patient beds was consistent with 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 HCF program for the same services 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 inquiries 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. § 54.639(d)(1) (2016)– Beneficiary did not Demonstrate the Reasonableness of Percentages Used to Allocate the Fair Share of Expenses

CONDITION

DPG reviewed the FCC Forms 462 and associated attachments, the NCWs, the network diagrams, and other documentation provided by the Beneficiary explaining the process used to develop fair share allocation percentages for services shared between eligible and ineligible HCPs. DPG determined that a fair share percentage of 80% was established for telecommunications services and a percentage of 90% was established for data transmission services. The percentages were applied indirectly when claiming support for FRNs 17247511, 17250711, and 17250871 by including them in the "Percentage of Expense Eligible" and "Percentage of Usage Eligible" columns on the corresponding FCC Form 463 submission. The Beneficiary also applied fair share percentages directly when claiming support for FRNs 17222611, 17223161, 17224471, 17224631, and 17225901 by multiplying the "Total Cost Invoiced (Undiscounted)" amount by 90% before including it under the corresponding column on the FCC Form 463.

The Beneficiary provided internal memorandums indicating that discussions were held to determine the appropriate fair share percentage to apply when claiming telecommunications service (80%) and data transmission service (90%) support for the Blue Ash Data Center (HCP 49160) and Florence Technology Center (HCP 49790) on FRNs 17247511, 17250711, and 17250871. The documentation provided did not identify the number of eligible versus ineligible HCPs supported by the two locations or the specific basis used to determine the allocation percentages (e.g., number of doctors, number of beds, number of eligible versus ineligible entities, etc.). Without support demonstrating the basis on which the allocation was performed, DPG could not determine the reasonableness of the allocation method chosen.[3]

DPG also identified 90% fair share allocations applied either directly or indirectly on FRNs 17222611, 17223161, 17224471, 17224631, 17225901, and 17247511 for the following four locations:

Mercy Health – Toledo Business Office (HCP 49162)
Mercy Health – Business Office Youngstown (HCP 49163)
Mercy Springfield Business and Data Center (HCP 49164)
Mercy Health – Business Office Youngstown Information Technologies (HCP 49275)

The 90% allocation percentage developed for the Blue Ash Data Center and Florence Technology Center was applied to these four locations. However, these entities did not provide support to the same combination of eligible and ineligible HCPs as the Blue Ash and Florence locations, and a separate determination should have been developed for these allocations. Without support demonstrating the basis on which these allocations were performed, DPG could not determine the reasonableness of the allocation method chosen.[4]

CAUSE

The Beneficiary did not adequately document the basis used when developing fair share allocation of services for eligible and ineligible entities within the overall network.

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[3] *See* 47 C.F.R. §§ 54.602(c), 54.639(d)(1), 54.643(a)(5) (2016).

[4] *See id*.

EFFECT

FRN	Funding Year	Monetary Effect (A)	Recovery Adjustment (B)	Recommended Recovery (A)-(B)
17222611	2017	$ 2,541	$ 2,541	$ 0
17223161	2017	$ 40,371	$ 40,371	$ 0
17224471	2017	$ 9,119	$ 9,119	$ 0
17224631	2017	$ 4,699	$ 4,699	$ 0
17225901	2017	$ 11,583	$ 11,583	$ 0
17247511	2017	$ 87,578	$ 87,578	$ 0
17250711	2017	$ 141,533	$ 141,533	$ 0
17250871	2017	$ 90,371	$ 90,371	$ 0
Total		**$ 387,795**	**$ 387,795**	**$ 0**

Without support demonstrating the basis on which fair share allocations were determined, DPG is unable to determine the reasonableness of the amount claimed. Therefore, DPG calculated the Monetary Effect for FRNs 17222611, 17223161, 17224471, 17224631, 17225901, 17247511, 17250711, and 17250871 as the total amount invoiced on the applicable FCC Forms 463 for all FRN IDs where a fair share allocation percentage was applied.

Recovery Adjustment – As part of its audit response, the Beneficiary submitted fair share calculations for each of the HCPs identified in this finding. The calculations established fair share percentages based on the number of eligible versus ineligible entities sharing the services and the type and size of each location. DPG determined that the basis presented was reasonable and that the calculated fair share percentages were greater than those previously applied. Therefore, no amount is recommended for recovery.

RECOMMENDATION

DPG recommends that the Beneficiary establish procedures to ensure that future fair share allocations are based on objective criteria and adequately documented.

BENEFICIARY RESPONSE

We acknowledged the need of the Fair Share Allocation Percentages for the Administrative Offices and Data Centers in FY2017. The percentages used were provided after a verbal conversation to calculate the percentages using a variety of objective criteria

Attached you will find calculation tables using a matrix of the number of eligible and ineligible locations, as well as, using bed counts to weigh hospitals over clinics. We also separated regional AO/DC by the locations they support and included the list of locations used from 2017. Each of these calculations resulted in an allocation of 90% or more for each AO/DC. We ask that USAC management use these calculations to eliminate the audit recovery recommendation of the support from the FRN's above. Our intent moving forward would be to use these same objective calculation tables to determine future funding year fair share allocation percentages.

Attachment provided separately to USAC management by DPG.

DPG RESPONSE

We maintain that for the audit period, the Beneficiary did not develop adequate support to demonstrate the basis for the fair share percentages used when filing the FCC Forms 462 and FCC Forms 463. DPG reviewed the additional support attached by the Beneficiary as part of its audit response. We compared the listing of eligible entities used by the Beneficiary in the attached fair share calculations against the entities listed on the Letters of Exemption (LOEs) filed by the Beneficiary and determined that the entities used for the calculations were consistent with the eligible entities approved by USAC. We also confirmed that all fair share percentages applied on the FCC Forms 463 during the audit period were lower than the percentages supported by the attached fair share calculations. Based on a review of the additional support, DPG revised the Monetary Effect and Recommendations sections of this finding to reflect no recovery. As there is no longer a recommended recovery for Finding #1, we also removed the previously identified overlapping recovery amount of $15,574 between Finding #1 and Finding #2.

Finding #2: 47 C.F.R. § 54.645(b) (2016) – FCC Form 463 Invoice Support: Amount Invoiced Exceeds Service Provider Billed Amount

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 provided by the Beneficiary to determine whether the HCF program was invoiced only for approved, eligible services for FRNs 17222521, 17222611, 17223161, and 17250711. DPG determined that the Beneficiary over-invoiced the HCF program for services that were either billed at a lower monthly rate than the amounts requested on the Beneficiary's FCC Form 462 Attachments and associated NCWs or were disconnected prior to the end of the funding year.[5]

Based on our review of the service provider bills supporting FCC Form 463, invoice number 1000058521 for FRN 17222521 and invoice numbers 1000058524 and 1000062509 for FRN 17223161, we identified five FRN IDs that were invoiced for amounts greater than the monthly rates charged on the service provider bills. For FRN 17222521 ID 7 (T-1/DS-1 service), the monthly undiscounted cost of $956 was approved on the NCW and invoiced on the FCC Form 463 for 12 months. However, the service provider billed the Beneficiary $927 for the months of July 2017 through April 2018, and $924 for the months of May 2018 and June 2018.

For FRN 17223161, IDs 9, 14, 17, and 21 (ISDN PRI service), the Beneficiary invoiced the HCF program based on the approved NCW monthly rate for the funding year. However, the rates charged on several of the vendor monthly bills were less than the amount invoiced for the month. The monthly undiscounted cost approved on the NCW and invoiced by the Beneficiary for FRN ID 9 was $3,326. However, The Ohio Bell Telephone Company billed $2,891 for the months of December 2017 through June 2018. For FRN ID 14, the Beneficiary invoiced the monthly undiscounted cost of $2,383 approved on the NCW for the months of July 2017 through December 2017 and invoiced a prorated cost of $231 for three days of January 2018. However, the Service Provider billed $2,100 for the months of October 2017 through December 2017 and $203 for the three days of January 2018. The monthly undiscounted cost approved for four circuits on the NCW for FRN ID 17 was $2,811 or $703 each. The Beneficiary invoiced for one circuit at $703 for each of the 12 months during the funding year. However, the Service Provider billed $703 for the months of July 2017 through October 2017, $498 for the months of

[5] See 47 C.F.R. §54.645(b) (2016).

November 2017 and December 2017, $498 for the month of January 2018, $504 for the month of February 2018, $539 for the month of March 2018, $525 for the month of April 2018 and $526 for the months of May 2018 and June 2018. For FRN ID 21, the monthly undiscounted cost of $1,344 was approved on the NCW. The Beneficiary invoiced $1,220 for the months of July 2017 through May 2018 and $1,089 for June 2018. The Service Provider billed $1,220 for the months of July 2017 through November 2017 and $1,080 for the months of February 2018 through June 2018.

Based on our review of the service provider bills supporting FCC Form 463 invoice numbers 1000050603 and 20171000050603 for FRN 17222611 and invoice numbers 1000050648 and 20171000050648 for FRN 17250711, we identified five FRN IDs that were invoiced by the Beneficiary for periods occurring after the disconnect date for the services. For FRN 17222611, ID 8 and ID 15 (ISDN service), costs were invoiced on the FCC Form 463 for the period from July 2017 through June 2018. However, service for both IDs was disconnected in February 2018.

For FRN 17250711, IDs 5 – 7 (ISDN PRI service), costs were invoiced on the FCC Form 463 for the period from July 2017 through June 2018. However, the circuits funded by these IDs were all disconnected prior to June 30, 2018. The four circuits funded by ID 5 were disconnected in January and February 2018, the six circuits funded by ID 6 were disconnected in February and March 2018, and the eight circuits funded by ID 7 were disconnected in December 2017.

CAUSE

The Beneficiary prepared the FCC Form 463 invoices 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 (A)	Overlap with Other Finding (B)	Recommended Recovery (A)-(B)
17222521	2017	$ 229	$ 0	$ 229
17222611	2017	$ 1,780	$ 0	$ 1,780
17223161	2017	$ 4,081	$ 0	$ 4,081
17250711	2017	$ 14,114	$ 0	$ 14,114
Total		**$ 20,204**	**$ 0**	**$ 20,204**

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

Bon Secours Mercy Health is in agreement with audit finding #2. Since 2017, new control procedures have been put in place to help prevent this from happening again.

CRITERIA

Finding	Criteria[6]	Description
#1	47 C.F.R. § 54.639(d)(1) (2016)	Eligible health care provider sites may share expenses with ineligible sites, as long as the ineligible sites pay their fair share of the expenses. An applicant may seek support for only the portion of a shared eligible expense attributable to eligible health care provider sites. To receive support, the applicant must ensure that ineligible sites pay their fair share of the expense. The fair share is determined as follows: (i) If the vendor charges a separate and independent price for each site, an ineligible site must pay the full undiscounted price. (ii) If there is no separate and independent price for each site, the applicant must prorate the undiscounted price for the ''shared'' service, equipment, or facility between eligible and ineligible sites on a proportional fully distributed basis. Applicants must make this cost allocation using a method that is based on objective criteria and reasonably reflects the eligible usage of the shared service, equipment, or facility. The applicant bears the burden of demonstrating the reasonableness of the allocation method chosen.
#1	47 C.F.R. §54.602(c) (2016)	An eligible health care provider that engages in both eligible and ineligible activities or that collocates with an ineligible entity shall allocate eligible and ineligible activities in order to receive prorated support for the eligible activities only. Health care providers shall choose a method of cost allocation that is based on objective criteria and reasonably reflects the eligible usage of the facilities.
#1	47 C.F.R.§54.643(a)(5) (2016)	Pursuant to § 54.639(d)(3) through (d)(4), where applicable, applicants must submit a description of how costs will be allocated for ineligible entities or components, as well as any agreements that memorialize such arrangements with ineligible entities.
#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 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 B

RH2021LR011

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

for

CHA Broadband Services

Audit No. RH2021LR0011

June 9, 2022

KEARNEY & COMPANY

Point of Contact:
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Kearney & Company, P.C.'s TIN is 54-1603527, DUNS is 18-657-6310, CAGE Code is 1SJ14

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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 CHA Broadband Services (Beneficiary), Health Care Provider (HCP) Number 17212, 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 it 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 M. Nosari

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 CHA Broadband Services (Beneficiary), Health Care Provider (HCP) Number 17212, 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*** of this report for the scope and methodology of the audit.

Background

The Beneficiary is the Colorado state consortium leader in administering Federal dollars to aid eligible health care entities, especially in underserved regions of the state, in gaining access to broadband connectivity to provide health care services in their communities.

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 CHA Broadband Services (Beneficiary) for the audit period:

Exhibit 1: Total Committed and Disbursed

Service Type	Amount Committed	Amount Disbursed
Infrastructure/Outside Plant	$1,766,411	$1,766,411
Leased/Tariffed Facilities or Services	$985,982	$968,424
Network Equipment	$544,694	$544,694
Network Management/Maintenance/ Operations Costs	$551,155	$551,155
Grand Total	**$3,848,242**	**$3,830,684**

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

The committed total represents 74 Federal Communications Commission (FCC) Form 462 applications with 74 Funding Request Numbers (FRN). Kearney & Company, P.C. (Kearney) selected 14 FRNs to be the scope of this performance audit, which represent $3,197,641 of the funds committed and $3,197,641 of the funds disbursed during the audit period. We performed the procedures enumerated below with respect to Funding Year 2018 applications submitted for these 14 FRNs by the Beneficiary:

- FRNs 18410881, 18421941, 18427711, 18435701, 18442981, 18447931, 18453901, 18459361, 18460311, 18461051, 18465091, 18467481, 18469991, 18470411.

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 examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services. We conducted inquiries and examined documentation to determine whether the Beneficiary considered price and other non-cost factors to that no evaluation criteria was weighted higher than price. Kearney examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on the Universal Service Administrative Company's (USAC) website before selecting a service provider. If a contract was executed for the funding year under audit, Kearney reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost effectiveness, as well.

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 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 and Network Plans to determine whether they included the required content. Additionally, Kearney 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.

Attachment C

RH2019SP001

NTUA Wireless, LLC

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

USAC Audit No. RH2019SP001

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Universal Service Administrative Co.

EXECUTIVE SUMMARY

December 13, 2021

Rohan Ranaraja, Director
NTUA Wireless, LLC
1001 Technology Drive 2nd Floor,
Little Rock, AR 72223

Dear Mr. Ranaraja:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of NTUA Wireless, LLC (Service Provider), Service Provider Identification Number (SPIN) 143035541, 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 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 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 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 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

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

Audit Results and Recovery Action

Audit Results	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.619(a)(1) and (2) (2016) – Inadequate Documentation – Beneficiary Did Not Demonstrate RHC Telecommunications Program Support Was Used for the Provision of Health Care Services: The mobile healthcare providers did not provide annual logs or any other documentation identifying dates and number of patients serviced, as required by FCC Rules.	$235,750	$235,750
Finding #2: 47 C.F.R. § 54.605(a), (b) (2016) – Service Provider Did Not Demonstrate that its Urban Rates Were Determined in Accordance with FCC Rules: The Service Provider did not demonstrate that the quoted rates of other telecommunications carriers used to develop its urban rates are publicly-available.	$0	$0
Total Net Monetary Effect	**$235,750**	**$235,750**

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Rural Health Care program support amount consistent with the FCC Rules. In addition, USAC management will conduct outreach to the Sun Valley Indian School Health Station, Holbrook Jr. High Health Station, Indian Wells Chapter Health Station, Indian Wells Pre-School Health Station and Dilkon Wellness Center to address the areas of deficiency that are identified below in the audit report. See the chart below for USAC management's recovery action by FRN.

	Finding #1	Finding #2	Total
FRN 1710481	$69,000	$0	$69,000
FRN 1710484	$17,250	$0	$17,250
FRN 1710479	$57,500	$0	$57,500
FRN 1710499	$23,000	$0	$23,000
FRN 1710521	$69,000	$0	$69,000
USAC Recovery Action	**$235,750**	**$0**	**$235,750**

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 program support amounts committed and disbursed to the Service Provider for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Telecommunications	$1,171,560	$1,171,560

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

The committed total represents 19 FCC Form 466 applications with 19 Funding Request Numbers (FRNs). AAD selected 6 FRNs,[1] which represent $368,520 of the funds committed and $368,520 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 Little Rock, Arkansas.

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 Rural Health Care (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 conducted inquiries 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 selecting or signing contracts with the Service Provider. AAD evaluated the services requested and purchased to determine whether the Beneficiaries selected the most cost-effective option.

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[1] The FRNs included in the scope of this audit were: 1710632, 1710484, 1710479, 1710499, 1710481, and1710521.

C. Rural and Urban Rates

AAD conducted inquiries and examined the Service Provider's contracts, service agreements, service quotes, tariffs, and/or other documentation to determine whether the Service Provider's rural rate was established in accordance with the FCC Rules. AAD also conducted inquiries and examined documentation to substantiate the urban rate listed in the FCC Forms 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 USAC and the corresponding service provider bills submitted to each Beneficiary 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 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 were used for purposes reasonably related to the provision of health care services and in accordance with the FCC Rules.

DETAILED AUDIT FINDINGS

Finding #1: 47 C.F.R. § 54.619(a)(1) and (2) (2016) – Inadequate Documentation – Beneficiary Did Not Demonstrate RHC Telecommunications Program Support Was Used for the Provision of Health Care Services

CONDITION

AAD inquired of the Beneficiaries[2] and requested documentation to determine whether the RHC Telecommunications program supported services were used solely for purposes reasonably related to the provision of health care services or instruction that the Health Care Providers (HCPs) were legally authorized to provide under applicable state law for FRNs 1710479, 1710481, 1710484, 1710499, and 1710521. In their FCC Forms 465, the Beneficiaries requested "data circuits to send and receive Electronic Health Records, images, and other files to and from remote locations." The Beneficiaries informed AAD that the circuits were for locations served by their mobile rural health care clinic.[3] However, the Beneficiaries did not provide sufficient documentation to demonstrate that RHC program support was used solely for the provision of health care services.

Health care providers shall maintain for their purchases of services supported under the Telecommunications Program documentation for five years from the end of the funding year sufficient to establish compliance with program rules,[4] and mobile rural health care providers are required to maintain annual logs for five years documenting compliance with RHC program rules.[5] AAD requested that the Beneficiaries provide their annual logs indicating the date and locations for each clinic stop as well as the number of patients at each stop. However, for FRNs 1710481 and 1710521, the Beneficiaries did not provide annual logs or any other documentation identifying dates and number of patients. For FRNs 1710484, 1710479, and 1710499, the Beneficiaries provided logs, but the logs did not demonstrate that RHC Telecommunications supported services were provided for the entirety of the funding period. AAD summarized the results as follows:

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[2] Indian Wells Pre-School Health Station, Holbrook Jr. High Health Station, Sun Valley Indian School Health Station, Indian Wells Chapter Health Station, and Dilkon Wellness Center.

[3] *See* Beneficiaries' responses to AAD's follow-up question on *Virtual Site Visit Inquiries and Shared Service Analysis* (received July 31, 2020).

[4] See 47 C.F.R. § 54.619(a)(1) (2016).

[5] See 47 C.F.R. § 54.619(a)(2) (2016).

FRN	HCP Location	Monthly Recurring RHC Support Amount A	No. of Months Without Documented Service B	Total Disbursements C=A*B
1710481	Indian Wells Pre-School Health Station	$5,750	12	$69,000
1710484	Holbrook Jr. High Health Station	$5,750	3	$17,250
1710479	Sun Valley Indian School Health Station	$5,750	10	$57,500
1710499	Indian Wells Chapter Health Station	$5,750	4	$23,000
1710521	Dilkon Wellness Center	$5,750	12	$69,000
			Total	**$235,750**

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 Beneficiaries did not provide sufficient documentation demonstrating the supported services were used solely for purposes reasonably related to the provision of health care services or instruction that the HCP was legally authorized to provide under applicable state law, as required by FCC Rules,[8] AAD concludes that the Beneficiaries were not in compliance with FCC Rules governing document retention.[9] As a result of the Beneficiaries' failure to maintain documentation demonstrating that the RHC Telecommunications program supported services were used for purposes reasonably related to the provision of health care services or instruction that the HCP was legally authorized to provide under applicable state law, the RHC program was over-invoiced in the amount of $235,750.

CAUSE

The Beneficiaries did not have an adequate record retention system to ensure that it maintained documentation to demonstrate utilization of the supported services in accordance with FCC rules. The Beneficiaries provided mobile health clinic services in the parking lots of various locations but did not organize a means of fully documenting the clinical services provided at these mobile locations.

EFFECT

The monetary effect of this finding is $235,750. This amount represents the total amount disbursed by the RHC program for the months in which the Beneficiaries did not provide logs or other documentation demonstrating health care services were provided for the following FRNs:

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[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. § 54.602(d) (2016).
[9] *See* 47 C.F.R. § 54.619(a) (2016).

FRN	Monetary Effect
1710479	$17,250
1710481	$69,000
1710484	$57,500
1710499	$23,000
1710521	$69,000
Total	**$235,750**

RECOMMENDATION

AAD recommends that USAC management seek recovery of $235,750 from the Beneficiary.

The Beneficiaries must implement controls and procedures to ensure they maintain documentation demonstrating compliance with FCC Rules for services supported under the RHC Telecommunications program for at least five years from the end of the funding period.[10] Further, AAD recommends that the Beneficiaries 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.

BENEFICIARY RESPONSE

USAC had provided funding for five (5) sites during FY2017. After submitting network logs and patient visits for the five sites, with a review to verify and validate programs and activities, we agree that Winslow Indian Health Care Center (WIHCC)[11] did not utilize these five (5) sites during the months indicated on the report, per regulations: Improper Payments Elimination and Recovery Improvement Act of 2021 (IPERIA).

BACKGROUND:
WIHCC had initially selected these five (5) sites to provide medical and dental services to the rural areas on the Navajo Nation namely health care services provided by WIHCC. We had submitted applications for a HCP number and signed contracts for these sites to be used by WIHCC Public Health and Dental departments. We requested funding for these five (5) sites and were approved.
NOTE: In reviewing the Form 466 Funding Request and Certification Form, line 35, FY2017 cites that "NO" was selected when it should have been "YES"; as WIHCC Public Health and Dental departments utilized "mobile units" *(sic)*

ASSESSMENT:
Two of these sites (FRN 1710484 Holbrook Jr. High Health Station and FRN 1710499 Indian Wells Chapter Health Station) have been visited regularly during the school months by the Mobile Dental Van to provide dental care to students (grades K - 12). The van visited these sites at least nine months out of the year. During the summer months, there were no visits when the school children were out of School *(sic)* for the summer *(sic)*

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[10] 47 C.F.R. § 54.619(a)(1) (2016).
[11] Winslow Indian Health Care Center is the healthcare network to which the HCPs belong.

Three sites (FRN 1710479 Sun Valley Indian School Health Station, FRN 1710481 Indian Wells Pre-School Health Station, and FRN 1710521 Dilkon Wellness Center) have been available for our Dental van, Public Health Nurses and Community Health Program to provide patient care and to document patient visits. Unfortunately, this has not been the case. Although the public health nurses have been in the area to make patient visits, their visits have been at the patient's residence. The visit would then be documented back at the work location, bypassing the available network resources in the field.

RECOMMENDATION:
After reviewing the Audit Findings, we agree with the findings that WIHCC did not have sufficient documentation based on our Assessment of the network logs and patient visit documentation submitted to the audit team.

SERVICE PROVIDER RESPONSE

The service provider stands ready to assist the beneficiary, to the extent feasible, to resolve this matter without a monetary penalty.

Finding #2: 47 C.F.R. § 54.605(a), (b) (2016) – Service Provider Did Not Demonstrate that its Urban Rates Were Determined in Accordance with FCC Rules

CONDITION

AAD obtained and examined documentation provided by the Service Provider to determine whether the urban rates listed in the FCC Forms 466 were established in accordance with FCC Rules for FRNs 1710479, 1710481, 1710484, 1710499, 1710521 and 1710632. The FCC Rules state that the urban rate "shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service…."[12] However, the Service Provider did not follow the FCC Rules when developing and documenting the urban rate as detailed below.

To substantiate its urban rates for FRNs 1710479, 1710481, 1710484, 1710499, and 1710521, the Service Provider provided a quoted rate that it had requested and obtained in an email from another telecommunications carrier.[13] The quoted amount of $750 in the email agreed with the urban rate listed in the Beneficiary's FCC Forms 466. However, the Service Provider did not demonstrate that the quoted rate obtained via email from the other telecommunications carrier is *publicly-available,* as required to demonstrate compliance with FCC Rules for determining urban rates.

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[12] *See* 47 C.F.R. § 54.605(a), (b) (2016).
[13] *See* email exchange between Joe Auck, Senior Engineer – Network Planning, Atlantic Tel-Networking/Commnet/NTUAW and Joshua Solomon, NA Global Account Manager, Cogent Communications (Mar. 3, 2016).

To substantiate its urban rate for FRN 1710632, the Service Provider provided a copy of a pricing summary that was attached to a quote from another telecommunications carrier. The quoted amount of $1,040 in the pricing summary agreed with the urban rate listed in the Beneficiary's FCC Form 466. However, the Service Provider did not demonstrate that the quoted rate was *publicly-available,* as required to demonstrate compliance with FCC Rules for determining urban rates. Because the Service Provider used an email and quotes not publicly available to develop its urban rates, AAD concludes that the Service Provider did not demonstrate that its urban rates were determined in accordance with FCC Rules.

To determine whether the Service Provider's urban rates used in the Beneficiary's FCC Form 466 could be substantiated, AAD performed alternative procedures by examining the E-Rate Open Data platform,[14] which is a publicly available platform. AAD located similar services provided to E-Rate applicants in urban areas within the same state by other telecommunications carriers and determined that the urban rates provided by the Service Provider were supported by the publicly available rates. Therefore, while the Service Provider was not in technical compliance with FCC Rules, AAD determined that the urban rates listed in the Beneficiary's FCC Forms 466 complied with FCC rules.

CAUSE

The Service Provider did not demonstrate sufficient knowledge of FCC Rules governing the determination of its urban rates at the time it established the urban rates for the Beneficiary's FCC Forms 466. The Service Provider did not conduct adequate research of the FCC Rules in obtaining an understanding of establishing urban rates using publicly-available rates charged to commercial customers.

EFFECT

There is no monetary effect for this finding as alternative procedures performed by AAD determined that the urban rates on the Beneficiary's FCC Forms 466 complied with FCC rules.

RECOMMENDATION

The Service Provider must familiarize itself with FCC Rules and ensure that its urban rates are no higher than the highest tariffed or other publicly-available rate charged to commercial customers, as required by the FCC Rules. The Service Provider must also implement controls and procedures to ensure it maintains documentation demonstrating compliance with FCC Rules for at least five years after the last day of the delivery of discounted services.[15] Lastly, the Service Provider may 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

> The Service Provider, NTUA Wireless, appreciates that the ADD *(sic)* determined that there is no monetary effect consistent with its audit and the opportunity to provide this response.
>
> As stated in the Audit Report the urban rates submitted by the Beneficiary in its Form 466 is *(sic)* consistent with the information provided by the Service Provider and supported by publicly available rates.

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[14] *See* https://opendata.usac.org/E-rate/E-rate-Recipient-Details-And-Commitments/avi8-svp9.

[15] *See* 47 C.F.R. § 54.619(d) (2016).

Service Provider currently utilizes the E-Rate Open Data platform to establish urban rates.

The Service Provider also notes that the FCC in its Order issued May 12, 2021 in WC Docket No. 02-60 concluded that "the urban rates submitted by CCWV were publicly available because the rates were provided upon request on a non-confidential basis and submitted to USAC in public filings." Similarly the Beneficiary provided the rates submitted by the Service Provider on a non-confidential basis to USAC.

AAD RESPONSE

In its response, the Service Provider states "…the FCC in its Order issued May 12, 2021 in WC Docket No. 02-60 concluded that 'the urban rates submitted by CCWV were publicly available because the rates were provided upon request on a non-confidential basis and submitted to USAC in public filings.'" However, the Order also states "…a pricing sheet made available by a service provider to any interested party and verified by a signed letter on the service provider's letterhead is a sufficient demonstration that an urban rate is publicly available."[16] Because there is no evidence that the pricing information in the summary has been independently verified by the service provider, the support provided does not sufficiently demonstrate that the urban rate is publicly available and the finding remains unchanged.

[16] *Request for Review and/or Waiver by Community Care of West Virginia, Inc.*, WC Docket No. 02-60, DA 21-561, para. 8 (May 12, 2021).

Finding	Criteria	Description
#1	47 C.F.R. §54.619(a) (2016).	(1) Healthcare providers shall maintain for their purchases of services supported under the Telecommunications Program documentation for five years from the end of the funding year sufficient to establish compliance with all rules in this subpart. Documentation must include, among other things, records of allocations for consortia and entities that engage in eligible and ineligible activities, if applicable. Mobile rural health care providers shall maintain annual logs indicating: The date and locations of each clinic stop; and the number of patients. (2) Mobile rural health care providers shall maintain its annual logs for a period of five years. Mobile rural health care providers shall make its logs available to the Administrator and the Commission upon request.
#1	47 C.F.R. § 54.702(n) (2016).	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.
#1	47 C.F.R. § 54.602(d) (2016).	Services for which eligible health care providers receive support from the Telecommunications Program or the Healthcare Connect Fund must be reasonably related to the provision of health care services or instruction that the health care provider is legally authorized to provide under the law in the state in which such health care services or instruction are provided.
#2	47 C.F.R. § 54.605(a), (b) (2016).	(a) If a rural health care provider requests support for an eligible service to be funded from the Telecommunications Program that is to be provided over a distance that is less than or equal to the ‘‘standard urban distance,’’ as defined in paragraph (c) of this section, for the state in which it is located, the ‘‘urban rate’’ for that service shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service in any city with a population of 50,000 or more in that state, calculated as if it were provided between two points within the city. (b) If a rural health care provider requests an eligible service to be provided over a distance that is greater than the ‘‘standard urban distance,’’ as defined in paragraph (c) of this section, for the state in which it is located, the urban rate for that service shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service provided over the standard urban distance in any city with a population of 50,000 or more in that

		state, calculated as if the service were provided between two points within the city.
#2	*Request for Review and/or Waiver by Community Care of West Virginia, Inc.*, WC Docket No. 02-60, DA 21-561, para. 8 (May 12, 2021).	We find, consistent with previous Commission guidance, that a pricing sheet made available by a service provider to any interested party and verified by a signed letter on the service provider's letterhead is a sufficient demonstration that an urban rate is publicly available. Posting on a public website is not required for a rate to be "publicly available" under section 54.605 of the rules.

Attachment D

RH2018SP001

Mercyhealth

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

USAC Audit No. RH2018SP001

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Universal Service Administrative Co.

EXECUTIVE SUMMARY

January 13, 2022

Fred Terry
Senior Director Information Systems
Mercyhealth
1000 Mineral Point Ave
Janesville, WI 53548

Dear Fred Terry:

Mercy Harvard Hospital and Mercy Walworth Hospital & Medical Center (Beneficiaries), filed FCC Forms 466, Funding Request and Certification Form, to the Universal Service Administrative Company (USAC or Administrator) seeking funding for eligible telecommunications-related services ordered. Pursuant to 47 C.F.R. §54.619, USAC is authorized to conduct audits of beneficiaries and service providers of the Rural Health Care (RHC) program. Further, healthcare providers (HCPs) shall maintain documentation for their purchases of services supported under the RHC Telecommunications Program for five years from the end of the funding year.

As such, the USAC Audit and Assurance Division (AAD) audited the compliance of Windstream Communications, LLC (Service Provider), Service Provider Identification Number (SPIN) 143030766 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 Federal Communications Commission (FCC) Rules). As part of the audit, AAD examined the Beneficiaries' processes that resulted in the selection of the Service Provider to provide the services and the Beneficiaries' use of the services. The purpose of this audit was to determine whether there is adequate documentation to demonstrate that the Beneficiaries complied with applicable FCC Rules.

Compliance with the FCC Rules is the responsibility of the Beneficiaries' and Service Provider's management. AAD's responsibility is to make a determination regarding the Beneficiaries' and 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, 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 the Service Provider or Beneficiaries, the type and amount of services provided, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiaries and Service Providers' 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 Result 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 Beneficiaries, the Service Provider, 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.

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

Sincerely,

Jeanette Santana Gonzalez

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

Audit Result and Recovery Action

Audit Result	Monetary Effect	Recommended Recovery
Finding: 47 C.F.R. § 54.619(a)(1) – Inadequate Documentation - Monthly Recurring Cost Allocations Could Not Be Substantiated: The Beneficiaries did not provide support for its method to substantiate how the total monthly recurring cost had been allocated to its three locations.	\$163,508	\$163,508

USAC MANAGEMENT RESPONSE

USAC management concurs with the audit results and will seek recovery of the Rural Health Care program support amount consistent with the FCC Rules. In addition, USAC management will conduct outreach to the Beneficiary to address the areas of deficiency that are identified below in the audit report. See the chart below for USAC management's recovery action by FRN.

	Finding #1
FRN 1693130	$81,754
FRN 1693133	$81,754
USAC Recovery Action	**$163,508**

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Rural Health Care Telecommunications (RHC) program support amounts committed and disbursed to the Beneficiaries for Funding Years 2016 (audit period):

Service Type	Amount Committed	Amount Disbursed
Fiber	$691,740	$688,452

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 466 applications with three Funding Request Numbers (FRNs). AAD selected 3 FRNs,[1] which represent $691,740 of the funds committed and $691,740 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2016 applications submitted by the Beneficiaries.

BACKGROUND

The Beneficiaries provide healthcare services within Harvard, IL and Lake Geneva, WI.

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 Rural Health Care (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 conducted inquiries and examined documentation to determine whether the Service Provider assisted with the completion of each selected Beneficiaries' 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 selecting or signing contracts with the Service Provider. AAD evaluated the services requested and purchased to determine whether the Beneficiaries selected the most cost-effective option.

[1] The FRNs included in the scope of this audit were: 1693130, 1693132, and 1693133.

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 conducted inquiries and examined documentation to substantiate the urban rate listed in the FCC Forms 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 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 determined through inquiry and inspection of documentation 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

Finding: 47 C.F.R. § 54.619(a)(1)[2] – Inadequate Documentation – Monthly Recurring Cost Allocations Could Not Be Substantiated

CONDITION

AAD obtained and examined documentation, including the executed contracts with the Beneficiaries (Mercy Harvard Hospital and Mercy Walworth Hospital) provided by the Service Provider, to determine whether the Beneficiaries were billed for the agreed-upon service and rates established in the Service Provider's contract for FRNs 1693130 and 1693133. The executed contract was for the delivery of "150 MB Layer 2" services at a total monthly recurring cost of $49,125 for three of Mercyhealth System's locations. However, the contract did not contain a cost allocation between the locations receiving the services.

AAD requested a cost allocation from Mercyhealth System explaining how the total monthly recurring cost had been allocated to its three locations.[3] Mercyhealth System provided the following allocation, which agrees with the rural rates identified in the Beneficiaries' FCC Forms 466:

FRN	Beneficiary Location	Cost
1693130	Mercy Harvard Hospital	$23,738
1693133	Mercy Walworth Hospital	$23,738
None	Mercy Hospital	$1,650
	Total Monthly Recurring Cost	**$49,125**

However, Mercyhealth System did not provide a proper explanation for its method to determine the allocation. Therefore, AAD inquired of the Service Provider to determine whether the Service Provider had an understanding of the cost allocation or any documentation that explains the allocation methodology. The Service Provider was not able to provide any further details to explain the cost allocation between the hospitals.[4]

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[2] *See also* C.F.R. § 54.602(c) (2015).
[3] *See Id.*
[4] *See Id.* ("Health care providers shall choose a method of cost allocation that is based on objective criteria and reasonably reflects the eligible usage of the facilities.")

USAC is required to conduct audits in accordance with generally accepted government auditing standards,[5] which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[6] Because the Beneficiaries did not provide sufficient documentation demonstrating how it allocated the costs assigned to the hospital for FRNs 1693130 and 1693133, AAD concludes that the Beneficiaries were not in compliance with the FCC Rules governing document retention.[7] Therefore, absent documentation demonstrating otherwise, AAD concludes that the total monthly recurring cost should be allocated evenly among each location (i.e., $49,125 / 3 = $16,375). As a result, RHC program was over-invoiced for $163,508, as follows:

FRN	Beneficiary Location	Monthly Recurring Rate Per FCC Form 466 A	Monthly Recurring Rate Evenly Distributed B	Difference C=A-B
1693130	Mercy Harvard Hospital	$23,738	$16,375	$7,363
1693133	Mercy Walworth Hospital	$23,738	$16,375	$7,363
			Subtotal	**$14,726**
			No. of Months Services Delivered	12
			Total Difference for Funding Year 2016	$176,712
			Funding Year 2016 Pro-Rata Percent	92.52804%
			Amount Over-Invoiced	**$163,508**

CAUSE

The Beneficiaries and Service Provider did not have adequate document retention procedures to ensure the retention of evidence demonstrating that the methodology for the allocation of costs associated with the application for and receipt of RHC program supported services was accurate and proper. The record of Beneficiaries' allocation methodology included hand-written notes that included only the amount allocated but no underlying calculations explaining the allocation. The Service Provider's contract with the Beneficiaries included only the total cumulative monthly amount for all locations. Neither the Beneficiaries nor the Service Provider established a formal and documented allocation methodology.

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[5] *See* 47 C.F.R. § 54.702(n) (2015).
[6] *See* U.S. Government Accountability Office, *Government Auditing Standards*, GAO-12-331G, para. 6.56 (Rev. Dec. 2011) ("Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.").
[7] *See* 47 C.F.R. § 54.619(a)(1) (2015) ("Documentation must include, among other things, records of allocations for consortia and entities that engage in eligible and ineligible activities, if applicable.").

EFFECT

The monetary effect of this finding is $163,508. This amount represents the total amount of funds disbursed in excess of the recalculated amount based on an even distribution of costs among each of the Beneficiaries' locations for FRNs 1693130 and 1693133, as follows.

FRN	Monetary Effect
1693130	$81,754
1693133	$81,754
Total	**$163,508**

RECOMMENDATION

AAD recommends that USAC Management seek recovery of $163,508 from the Beneficiaries.

The Beneficiaries and Service Provider must establish controls and procedures to ensure it retains sufficient documentation for the application and receipt of RHC program supported services, including reconciliations and the underlying methodology for the allocation of costs. The Beneficiaries and Service Provider may learn more about document retention requirements on USAC's website at https://www.usac.org/rural-health-care/additional-program-guidance/document-retention/.

BENEFICIARY RESPONSE

Mercyhealth has provided documentation supporting the split of cost between Mercy Janesville, Mercy Walworth, and Mercy Harvard. This documentation is now on file with AAD. The document quotes the urban/metro pricing for a ring connecting three locations in Janesville,WI and the urban/metro pricing if there were to be a three location ring in Rockford, IL. That amount ($1650) *(sic)* was deducted from the contracted service cost ($49125) *(sic)* and the remaining balance ($47475) *(sic)* split between Mercy Walworth ($23737.50) *(sic)* and Mercy Harvard ($23737.50) *(sic)*. This information was available earlier but apparently not sent to AAD at the time.

Windstream has also been contacted to provide a reponse to the audit and I expect that will be forthcoming after the holidays. Windstream contact is Out of Office until 1/3/22. Respectfully ask *(sic)* that AAD give further consideration of their review with this additional information.

AAD RESPONSE

The Beneficiaries provided a document entitled "Cost Comparison for Layer 2 Network – Hospitals," which quotes the urban/metro pricing for a ring connecting three locations in Janesville,WI and the urban/metro pricing if there were to be a three location ring in Rockford, IL, as explained by the Beneficiaries. The document lists a price of $1,650 Mercy Hospital, but no additional documentation was provided to support this quoted price (such as the actual quote, contract, invoice, etc. that was actually provided to the hospital). As stated in the Condition, USAC is required to conduct audits in accordance with generally accepted government auditing standards,[8] which require AAD to obtain sufficient, appropriate evidence to substantiate audit findings and conclusions.[9] Because the Beneficiaries did not provide sufficient documentation demonstrating why $1,650 was allocated to Mercy Hospital, AAD concludes that the Beneficiaries were not in compliance with the FCC Rules governing document retention.[10]

Therefore, AAD's recommendation remains unchaged.

CRITERIA

1) 47 C.F.R. § 54.619(a)(1) (2015) states:

   "Health care providers shall maintain for their purchases of services supported under the Telecommunications Program documentation for five years from the end of the funding year sufficient to establish compliance with all rules in this subpart. Documentation must include, among other things, records of allocations for consortia and entities that engage in eligible and ineligible activities, if applicable."

2) 47 C.F.R. § 54.602(c) (2015) states:

   "Allocation of discounts. An eligible health care provider that engages in both eligible and ineligible activities or that collocates with an ineligible entity shall allocate eligible and ineligible activities in order to receive prorated support for the eligible activities only. Health care providers shall choose a method of cost allocation that is based on objective criteria and reasonably reflects the eligible usage of the facilities."

3) 47 C.F.R. § 54.702(n) (2015) 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.

This concludes the report.

[8] *See supra* Note 4.
[9] *See supra* Note 5.
[10] *See supra* Note 6.

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Iowa Rural Health Telecommunications Program **Attachment E**	1	• No significant findings.	$2,152,156	$18,446	$18,466	$18,446	N
Sutter Health **Attachment F**	1	• No significant findings.	$4,790,132	$5,771	$5,771	$5,771	N
Total	**2**		**$6,942,288**	**$24,217**	**$24,217**	**$24,217**	

* 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 E

RH2021LR009

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

for

Iowa Rural Health Telecommunications Program

Audit No. RH2021LR009

March 9, 2022

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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 Iowa Rural Health Telecommunications Program (Beneficiary), Health Care Provider (HCP) Number 17226, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (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. 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 test work performed, our audit disclosed one detailed audit finding discussed in the ***Audit Results*** and Commitment Adjustment/Recovery Action
section. For the purpose of this report, a Finding is 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 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 M. Nosari

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 Iowa Rural Health Telecommunications Program (Beneficiary), Health Care Provider (HCP) Number 17226, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (C.F.R.) 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.

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 consists of hospitals in Iowa, South Dakota, and Nebraska, as well as the Iowa Hospital Association and Iowa Communications Network (ICN). Its purpose is to connect willing hospitals to a dedicated broadband fiber network using the ICN.

Audit Results and Commitment Adjustment/Recovery Action

We conducted this performance audit in accordance with GAGAS, issued by the Comptroller General of the United States. 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.

Audit Result	Monetary Effect	Recommended Commitment Adjustment
Finding #1: 47 Code of Federal Regulations (C.F.R.) §54.630(c) (2017) – Large Non-Rural Hospital Support Limit	$18,446	$18,446

Audit Result	Monetary Effect	Recommended Commitment Adjustment
A large non-rural hospital received more recurring funding support than allowed by the FCC Rules.		
Total Net Monetary Effect	**$18,446**	**$18,446**

USAC Management Response to Auditor Recommended Commitment Adjustment/ Recovery Action

	Funding Request Number (FRN) 18392041	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$18,446	$18,446	N/A
Total	**$18,446**	**$18,446**	

Conclusion

Kearney concludes that the Beneficiary did not completely and adequately comply 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 noted one finding relating to the audit period that we determined warrants the attention of USAC and the Beneficiary. See a summary of the audit finding below.

Detailed Audit Finding

Finding #1: 47 C.F.R. §54.630(c) (2017) – Large Non-Rural Hospital Support Limit

Condition: Iowa Rural Health Telecommunications Program did not properly ensure that funding support for its large urban hospitals was limited to $30,000 per hospital per year for recurring charges. Kearney noted that one (out of three tested) large urban hospital received $48,446 of support for recurring charges for Funding Year 2018.

Cause: Iowa Rural Health Telecommunications Program did not mark the HCP in question as a large non-rural hospital and take that designation into consideration when applying for RHC funds to ensure that the HCP was limited to $30,000 in recurring charges for Funding Year 2018.

Effect:

Support Type	FRN Affected	Monetary Effect	Recommended Commitment Adjustment
Ethernet/Internet	18392041	$18,446	$18,446
Total Net Monetary Effect		**$18,446**	**$18,446**

Recommendation #1: Kearney recommends USAC management seek recovery of the amounts identified in the ***Effect*** section above. The Beneficiary must establish and maintain complete knowledge and understanding of the FCC Rules and establish internal controls to ensure that large non-rural hospitals are known to be subject to the respective funding thresholds and that they do not receive funding above these thresholds.

Beneficiary Response: Iowa Rural Health Telecommunications Program's Management provided the following response:

> "The $48,446 in reimbursements are based on three circuits of ethernet connections. Details on each of them are below:
>
> Line 154 in the FRN is for a 1.0 gb ethernet connection, circuit 201437, for Mercy Des Moines, 1111 6th Ave Des Moines, to the network and is responsible for $16,380 in reimbursements.
>
> Line 157 in the FRN is for a 100.00 mb ethernet connection, circuit 287092, for Mercy Des Moines, 1111 6th Ave Des Moines to a Physician Billing Office 405 SW 5h St and is responsible for $5,070 in reimbursements.
>
> Line 155 is the line in question: This line is in the FRN and is for a connection between the Mercy Norwalk Clinic (a rural family practice clinic) at 9421 Marketplace Dr Norwalk IA 50211 back to the Mercy Des Moines urban hospital 1111 6th Ave, circuit 288476, and is responsible for $26,995.80 in reimbursements because, at the time, was a new location and had excess construction fees associated with it. It was filed under Mercy Des Moines, because the clinic was still being approved for its own HCP number and IRHTP thought the rule that allowed for origination or termination addresses to be used for a filing was in play for this expense.
>
> Overall, if we remove the dollars that were reimbursed for the Norwalk Family Practice Clinic the total is less than the $30,000 threshold. If that reimbursement needs to remain as part of the Mercy Des Moines amount, then yes the $30,000 threshold was exceeded and IRHTP would be willing to return the $18,446 to USAC as rules state."

Criteria:

Finding	Criteria	Description
#1	**47 C.F.R. §54.630(c) (2017)**	*Limitation on large non-rural hospitals.* Each eligible non-rural public or non-profit hospital site with 400 or more licensed patient beds may receive no more than $30,000 per year in HCF support for eligible recurring charges and no more than $70,000 in HCF support every five years for eligible nonrecurring charges, exclusive in both cases of costs shared by the network.

Kearney's Evaluation of the Beneficiary's Response to the Detailed Audit Finding *(GAGAS 9.51-9.54)*:

We appreciate the Beneficiary's response. As stated in the response, we determined the support for Line 155 should be associated with the Mercy Des Moines urban hospital since the filing in

2018 did not have the rural location as an approved site with an HCP number to associate with it. We agree with the Beneficiary's proposed procedures for returning the support received over the $30,000 threshold to ensure compliance with established FCC rules.

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 Iowa Rural Health Telecommunications Program (Beneficiary) for the audit period:

Exhibit 1: Total Committed and Disbursed

Service Type	Amount Committed	Amount Disbursed
Leased Facilities or Services	$1,011,139	$1,011,139
Network Design	$43,636	$43,636
Network Equipment	$1,097,381	$1,097,381
Total	**$2,152,156**	**$2,152,156**

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

The committed total represents four Federal Communications Commission (FCC) Form 462 applications with four Funding Request Numbers (FRN). Out of the four FRNs, one had no committed or disbursed funds for the audit period; therefore, this was not included in our FRN sampling process. Kearney & Company, P.C. (Kearney) selected specific Health Care Providers (HCP) within those three FRNs to be the scope of this performance audit, which represent $1,658,568 of the funds committed and $1,658,568 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 18389181, 18392041, 18420801.

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 determined 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 HCPs 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 NCWs to determine whether ineligible costs, if any, were identified and ineligible entities, if any, paid their fair share.

B. Competitive Bid Process

Kearney examined documentation to determine whether the Beneficiary properly selected service providers that provided eligible services. We conducted inquiries and examined documentation to determine whether the Beneficiary considered price and other non-cost factors, but that no evaluation criteria was weighted higher than price. Kearney examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on the Universal Service Administrative Company's (USAC) website before selecting the incumbent service provider. If a contract was executed for the funding year under audit, Kearney reviewed the service provider contracts to determine whether they were properly executed. We evaluated the services requested and purchased for cost-effectiveness as well.

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 and whether the annual limitation on support available to large non-rural hospitals was exceeded. We examined documentation to determine whether more than 50 percent 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 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 percent minimum contribution and that the required contribution was from eligible sources. Kearney also examined documentation to determine whether the HCF program disbursements did not exceed 65 percent 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 and Network Plans to determine whether they included the required content. 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.

Attachment F

RH2021LR007

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

for

Sutter Health

Audit No. RH2021LR007

April 28, 2022

KEARNEY & COMPANY

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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 Sutter Health (Beneficiary), Health Care Provider (HCP) Number 50589 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 a 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 test work performed, our audit disclosed one detailed audit finding discussed in the Audit Results 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 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 M. Nosari

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 Sutter Health (Beneficiary), Health Care Provider (HCP) Number 50589, 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*** of this report for the scope and methodology of the audit.

Background

The Beneficiary is a consortium that provides coordinated care to more than three million Californians via acute care hospitals and clinics. Its integrated network has created a connected model of care that is delivering coordinated healthcare, offering comprehensive services, and quality health programs tailored to the diverse communities it serves.

Audit Results and Commitment Adjustment/Recovery Action

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.

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Finding #1: 47 C.F.R. §54.645(b) – The Beneficiary Over-Invoiced USAC for	$5,771	$5,771	$5,771

Audit Results	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
Amounts Exceeding Contract Costs Included on its FCC Form 462 and Network Cost Worksheet An expense was incorrectly entered into the submitted NCW and billed, causing an excess disbursement of funds.			
Total Net Monetary Effect	**$5,771**	**$5,771**	**$5,771**

USAC Management Response to Auditor Recommended Commitment Adjustment/Recovery Action

USAC management concurs with the audit results and will seek recovery of $5,771.

	Funding Request Number (FRN) 18386141	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	$5,771	$5,771	Not applicable
Total	**$5,771**	**$5,771**	

Conclusion

Kearney concludes that the Beneficiary did not completely and adequately comply 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 noted one finding relating to the audit period that we determined warrants the attention of USAC and the Beneficiary. See a summary of the audit finding below.

Detailed Audit Finding

Finding #1: 47 C.F.R. §54.645(b) – The Beneficiary Over-Invoiced USAC for Amounts Exceeding Contract Costs Included on its FCC Form 462 and Network Cost Worksheet

Condition: Kearney obtained and examined the Beneficiary's contract with the service provider, FCC Form 462, and Network Cost Worksheet (NCW), to determine whether the amounts included on the FCC Form 462 accurately reflect the costs of service per the contract. Additionally, Kearney reconciled the total amounts requested and disbursed per the Form 463 to determine that the amounts distributed to the Beneficiary were correct per the Service Provider's bill. As a result of our performed procedures, we noted that on line 45 of the NCW for Funding

Request Number (FRN) 18386141 (Access DS1 Off-Net), the Beneficiary did not correctly represent the costs per the contract, as when completing the NCW, the Beneficiary entered the total monthly cost ($246.64) for four circuits as the monthly cost for each individual circuit. Therefore, the total dollar amount requested to be reimbursed for this line was four times the amount that it should have been. As a result of this misrepresented cost, the Beneficiary was incorrectly reimbursed through the Form 463. This resulted in $5,771 being both over-committed on the FCC Form 462 and over-invoiced to USAC on the FCC Form 463.

Cause: The Beneficiary did not have appropriate internal controls in place to verify the accuracy of the numbers entered in the FCC Form 462 and NCW, as well as the submitted FCC Form 463 for invoicing.

Effect:

FRN Affected	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
18386141	$5,771	$5,771	$5,771
Total Net Monetary Effect	**$5,771**	**$5,771**	**$5,771**

Recommendation #1: Kearney recommends USAC management seek recovery and a commitment adjustment of the amounts identified in the Effect section above. The Beneficiary must establish and maintain internal controls to verify that the FCC Form 462, NCW, and FCC Form 463 is completely and accurately filled out and submitted to USAC to ensure that the Beneficiary is appropriately reimbursed for its costs.

Beneficiary's Response: Sutter Health's Management provided the following response:

> "Beneficiary agrees with Finding #1 and Recommendation #1. Espy Services, Inc. has been contracted to complete and submit all necessary documentation to receive funding through the Rural Health Care Connect fund, administered through USAC, on behalf of Sutter Health. Espy Services, Inc. agrees with Finding #1 and Recommendation #1. Finding #1 was the result of human error which occurred by someone who was still in training at that time. We now have a dedicated trainor in place that reviews all work of trainees prior to submission. We also now thoroughly review each vendor invoice prior to requesting funds through the Form 463 process, which would have prevented the current finding."

Criteria:

Finding	Criteria	Description
#1	**47 C.F.R. §54.645 (2017)**	(b) Before the Administrator may process and pay an invoice, both the Consortium Leader (or health care provider, if participating individually) and the vendor

Finding	Criteria	Description
		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.

Kearney's Evaluation of the Beneficiary's Response to the Detailed Audit Finding *(GAGAS 9.51-9.54)*:

As the Beneficiary agreed with our finding and recommendation, we have no further response.

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 Sutter Health (Beneficiary) for the audit period:

Exhibit 1: Total Committed and Disbursed

Service Type	Amount Committed	Amount Disbursed
Infrastructure/Outside Plant	$26,711	$26,711
Leased Facilities/Services	$4,763,421	$4,763,421
Total	**$4,790,132**	**$4,790,132**

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

The committed total represents 17 Federal Communications Commission (FCC) Form 462 applications with Funding Request Numbers (FRN). Kearney & Company, P.C. (defined as "Kearney," "we," and "our" in this report) selected five FRNs to be the scope of this performance audit, which represent $3,721,282 of the funds committed and $3,721,282 of the funds disbursed during the audit period. Kearney performed the procedures enumerated below with respect to Funding Year 2018 applications submitted for these five FRNs by the Beneficiary:

- FRNs 18386141, 18387191, 18390001, 18394431, 18395681.

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 determined 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 HCPs 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 NCWs to determine whether ineligible costs, if any, were identified and ineligible entities, if any, paid their fair share.

B. Competitive Bid Process

Kearney examined documentation to determine whether the Beneficiary properly selected a service provider that provided eligible services. We conducted inquiries and examined documentation to determine whether the Beneficiary considered price and other non-cost factors, but that no evaluation criteria was weighted higher than price. Kearney examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on the Universal Service Administrative Company (USAC) website before executing month-to-month agreements with the selected service providers. If a contract was executed for the funding year under audit, Kearney reviewed the service provider contracts to determine whether they were properly executed. Kearney evaluated the services requested and purchased for cost-effectiveness, as well.

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 percent 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 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 percent minimum contribution and that the required contribution was from eligible sources. Kearney also examined documentation to determine whether the HCF program disbursements did not exceed 65 percent 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 and Network Plans to determine whether they included the required content. 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.