



Rural Health Care  
Audit Report Briefing Book  
Available For Public Use  
Monday, April 28, 2025

Universal Service Administrative Company  
700 12th Street, N.W., Suite 900  
Washington, D.C. 20005

*Summary of the Rural Health Care Support Mechanism Beneficiary Audit Report Released: January 2025.*

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
<b>Attachment A</b> Weeks Medical Center	1	<ul style="list-style-type: none"> <li><b><u>Beneficiary Did Not Provide Documentation to Demonstrate that It Conducted a Fair and Open Competitive Bidding Process:</u></b> The Beneficiary did not submit bid evaluation documentation to demonstrate that a fair and open competitive bidding process was conducted and that the one bid received was compared to the services and pricing in its existing contract.</li> </ul>	\$50,912	\$16,613	\$16,613	\$0	Partial
<b>Total</b>	<b>1</b>		<b>\$50,912</b>	<b>\$16,613</b>	<b>\$16,613</b>	<b>\$0</b>	

# Weeks Medical Center

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

USAC Audit No. RH2024LR004

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## EXECUTIVE SUMMARY

September 6, 2024

Darrell Bodnar, Chief Information Officer (CIO)  
Weeks Medical Center  
173 Middle Street  
Lancaster, NH 035854

Dear Mr. Bodnar,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Weeks Medical Center (Beneficiary), Health Care Provider (HCP) Number 14566, using the regulations, set forth in 47 C.F.R. Part 54, and orders governing the federal Universal Service Rural Health Care Support Mechanism, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary. AAD's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on the limited review performance audit.

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

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

Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the 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.

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

Sincerely,



Jeanette Santana-Gonzalez  
USAC Senior Director, Audit and Assurance Division

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

## AUDIT RESULT AND COMMITMENT ADJUSTMENT/RECOVERY ACTION

Audit Result	Monetary Effect	Recommended Recovery and Downward Commitment Adjustment
<b>Finding: 47 C.F.R. § 54.622(b-d); 54.623(a)(3) (2021) - Beneficiary Did Not Demonstrate that It Conducted a Fair and Open Competitive Bidding Process Due to Inadequate Documentation.</b> The Beneficiary did not submit documentation, such as a bid evaluation worksheet or matrix, to demonstrate that the bid was compared to the existing contract and that a fair and open competitive bidding process was conducted.	\$16,613	\$16,613

## 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.

FRN 21933981	Finding #1
Line Item 1	\$13,260
Line Item 2	\$2,768
Line Item 3	\$585
<b>USAC Recovery Action</b>	<b>\$16,613</b>

## PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

### PURPOSE

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

### SCOPE

The following chart summarizes the Rural Health Care Healthcare Connect Fund program support amounts committed and disbursed to the Beneficiary for Funding Year 2021 (audit period):

Service Type	Amount Committed	Amount Disbursed
Leased Facilities or Services	\$936	\$936
Maintenance	\$18,174	\$18,174
Ethernet	\$24,761	\$24,761
Telecommunications	\$3,688	\$3,688
Internet Access	\$3,353	\$3,353
<b>Total</b>	<b>\$50,912</b>	<b>\$50,912</b>

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

The committed total represents three FCC Form 462 applications with three Funding Request Numbers (FRNs). AAD selected two FRNs,<sup>1</sup> which represents \$32,737 of the funds committed and \$32,737 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2021 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary provides healthcare services within Lancaster, New Hampshire.

### PROCEDURES

AAD performed the following procedures:

#### A. Application Process

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

AAD examined the FCC Forms 462 and the FCC Form 462 Attachments to determine whether the Beneficiary identified the participating HCPs and documented the allocation of eligible costs related to the provision of health care services. AAD also examined the Network Cost Worksheets (NCW) to

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<sup>1</sup> The FRNs included in the scope of this audit were: 21931841 and 21933981.



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

**B. Competitive Bid Process**

AAD examined documentation to determine whether the Beneficiary properly selected a service provider to provide eligible services. AAD conducted inquiries and examined documentation to determine whether the Beneficiary considered price and other non-cost factors and that no evaluation criteria was weighted higher than price. AAD examined evidence that the Beneficiary waited the required 28 days from the date the FCC Form 461 was posted on USAC's website before selecting and signing contracts with the selected service providers. If a contract was executed for the funding year under audit, AAD reviewed the service provider contracts to determine whether they were properly executed. AAD evaluated the services requested and purchased to determine whether the Beneficiary selected the most cost-effective option.

**C. Eligibility**

AAD conducted inquiries and inspection of documentation, and examined documentation to determine whether the Beneficiary's eligible HCPs were public or non-profit eligible health care providers, and whether the annual limitation on support available to large non-rural hospitals was exceeded. AAD examined documentation to determine whether more than 50 percent of the sites in the consortium were rural HCPs and determined whether the member HCPs' physical addresses were the same as listed on the FCC Form 462 applications and NCWs. AAD conducted inquiries and examined documentation to determine whether the HCPs participating in the consortium received funding in the HCF program for the same services for which they requested support in the RHC Telecommunications program.

**D. Invoicing Process**

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

**E. Health Care Provider Location**

AAD determined through inquiry and inspection of documentation whether the services were provided and were functional. AAD also determined through inquiry and inspection of documentation whether the supported services 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. § 54.622(b-d); 54.623(a)(3) (2021) – Beneficiary Did Not Demonstrate that It Conducted a Fair and Open Competitive Bidding Process Due to Inadequate Documentation

### CONDITION

AAD obtained and examined competitive bidding documentation (i.e., bid documents, evaluation criteria, correspondence, etc.) for FRN 21933981 to determine if the Beneficiary conducted a fair and open competitive bidding process<sup>2</sup> to select the most cost-effective service provider.<sup>3</sup> Per the FCC Form 462, the Beneficiary received one bid from another service provider, but continued services with its existing Service Provider.<sup>4</sup> The Beneficiary provided an evaluation matrix to support its competitive bidding process; however, this documentation corresponded to FRN 21931841 for different service providers. Despite the multiple requests during the audit, the Beneficiary did not retain and did not provide adequate documentation demonstrating an evaluation of bids or scoring matrix<sup>5</sup> had been performed between the services and pricing outlined in the existing Service Provider's contract and the services and pricing included in the other bidding service provider proposal. Thus, AAD concludes that the Beneficiary did not provide adequate documentation<sup>6</sup> to demonstrate that it conducted a fair and open competitive bidding process.

### CAUSE

The Beneficiary did not have adequate document retention procedures to ensure evidence demonstrating that it conducted a fair and open competitive bidding process to select the most cost-effective service provider. The Beneficiary informed AAD that a bid evaluation was performed comparing the services provided on its existing contract to the new bid received; however, the Beneficiary overlooked preparing a written bid evaluation worksheet or scoring matrix.<sup>7</sup>

### EFFECT

The monetary effect of this finding is \$16,613, which is the total support committed and disbursed by the RHC program for FRN 21933981.

### RECOMMENDATION

AAD recommends that USAC Management seek recovery and issue a downward commitment adjustment from the Beneficiary for the amount identified in the Effect section above.

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<sup>2</sup> See 47 C.F.R. § 54.622(b)(1) (2021).

<sup>3</sup> See 47 C.F.R. § 54.622(c) (2021).

<sup>4</sup> The current service provider is Charter Communications Operating, LLC.

<sup>5</sup> See 47 C.F.R. §§ 54.623(a)(1)(ix); 54.623(a)(3); 54.631(b) (2021); Beneficiary's response to audit inquiries, received Dec. 28, 2023.

<sup>6</sup> See 47 C.F.R. §§ 54.623(a)(3); 54.631(b) (2021).

<sup>7</sup> Per Beneficiary conference call, held January 25, 2024; See Beneficiary's response to the Audit Results Summary, received Feb. 9, 2024.

The Beneficiary must implement processes, controls, and procedures to ensure it (1) conducts, (2) documents, and (3) retains documentation demonstrating its competitive bidding process complies with the FCC Rules. This includes a fair and open competitive bidding process that properly documents the evaluation of the bids to select whichever service provider offers the most cost-effective option when more than one service provider is involved in the competitive bidding process.

In addition, AAD recommends that the Beneficiary visits USAC's website at <https://www.usac.org/rural-health-care/healthcare-connect-fund-program/step-3-evaluate-bids-select-service-provider/> to become familiar with the FCC Rules governing the competitive bidding process and at <https://www.usac.org/rural-health-care/learn/> to become familiar with the training and outreach available from the RHC program.

#### BENEFICIARY RESPONSE

The [B]eneficiary and consultant agree with the finding's general recommendation of implementation of process controls. However, the [B]eneficiary and consultant do not agree with the recovery of funds due to this error. There is not a clear, concise process nor templates provided to the applicants for the bidding process from USAC. We feel that we did prove that the appropriate review and comparisons were completed. USAC also missed this scoring matrix during their reviews and did not ask for it. The [B]eneficiary and consultant would like information on how to appeal or have this decision reviewed again with this additional information.

#### AAD RESPONSE

The FCC rules<sup>8</sup> require the Beneficiary to demonstrate that an evaluation of bids or scoring matrix was performed. The FCC Rules mentioned in the Condition of this finding are unaffected by the outlined bidding process or templates that may be available to the applicants via USAC's website, or USAC's internal application review and approval process. AAD must audit in accordance with the FCC Rules, and the scope of AAD's testing differed from the scope of USAC Program Management's internal review. As such, AAD's testing identified this rule violation independently of USAC Program Management's review, and, as the Beneficiary was unable to provide additional documentation to demonstrate compliance with the FCC Rules as requested during the audit and the response to this finding, AAD's position on this Finding remains thus unchanged. The Beneficiary will have the opportunity to appeal this finding as part of the Commitment Adjustment (COMAD) process after the final audit report is issued.

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<sup>8</sup> See 47 C.F.R. § 54.622(d) (2021).

## CRITERIA

Criteria	Description
47 C.F.R. § 54.622(d) (2021)	<i>Bid evaluation criteria.</i> Applicants must develop weighted evaluation criteria (e.g., a scoring matrix) that demonstrates how the applicant will choose the most cost-effective bid before submitting its request for services. The applicant must specify on its bid evaluation worksheet and/or scoring matrix the requested services for which it seeks bids, the information provided to bidders to allow bidders to reasonably determine the needs of the applicant, its minimum requirements for the developed weighted evaluation criteria, and each service provider's proposed service levels for the criteria. The applicant must also specify the disqualification factors, if any, that it will use to remove bids or bidders from further consideration. After reviewing the bid submissions and identifying the bids that satisfy the applicant's specific needs, the applicant must then select the service provider that offers the most cost-effective service.
47 C.F.R. § 54.622(b) (2021)	<i>Fair and open process.</i> (1) Applicants participating in the Telecommunications Program or Healthcare Connect Fund Program must conduct a fair and open competitive bidding process. The following actions are necessary to satisfy the “fair and open” competitive standard in the Telecommunications Program and the Healthcare Connect Fund Program: <ul style="list-style-type: none"> <li>(i) All potential bidders and service providers must have access to the same information and must be treated in the same manner throughout the procurement process.</li> <li>(ii) Service providers who intend to bid on supported services may not simultaneously help the applicant complete its request for proposal (RFP) or Request for Services form.</li> <li>(iii) Service providers who have submitted a bid to provide supported services, equipment, or facilities to a health care provider may not simultaneously help the health care provider evaluate submitted bids or choose a winning bid.</li> <li>(iv) Applicants must respond to all service providers that have submitted questions or proposals during the competitive bidding process.</li> <li>(v) All applicants and service providers must comply with any applicable state, Tribal, or local procurement laws, in addition to the Commission’s competitive bidding requirements. The competitive bidding requirements in this section are not intended to preempt such state, Tribal, or local requirements.</li> </ul>
47 C.F.R. § 54.622(c) (2021)	<i>Selecting a cost-effective service.</i> In selecting a provider of eligible services, the applicant shall carefully consider all bids submitted and must select the most cost-effective means of meeting its specific health care needs. “Cost-effective” is defined as the method that costs the least after consideration of the features, quality of transmission, reliability, and other factors that the health care provider deems relevant to choosing a method of providing the required health care services. In the Healthcare Connect Fund Program, when choosing the most “cost-effective” bid, price must be a primary factor, but need not be the only primary factor. A non-price factor may receive an equal weight to price, but may not receive a greater weight than price.

Criteria	Description
47 C.F.R. § 54.623(a)(1)(ix) (2021)	<i>Funding request certifications.</i> The applicant will retain all documentation associated with the applications, including all bids, contracts, scoring matrices, and other information associated with the competitive bidding process, and all billing records for services received, for a period of at least five years.
47 C.F.R. § 54.623(a)(3) (2021)	<i>Competitive bidding documents.</i> Applicants must submit documentation to support their certifications that they have selected the most cost-effective option, including a copy of each bid received (winning, losing, and disqualified), the bid evaluation criteria, and the following documents (as applicable): Completed bid evaluation worksheets or matrices; explanation for any disqualified bids; a list of people who evaluated bids (along with their title/role/relationship to the applicant organization); memos, board minutes, or similar documents related to the service provider selection/award; copies of notices to winners; and any correspondence with service providers prior to and during the bidding, evaluation, and award phase of the process. Applicants who claim a competitive bidding exemption must submit relevant documentation to allow the Administrator to verify that the applicant is eligible for the claimed exemption.
47 C.F.R. § 54.631(b) (2021)	<i>Recordkeeping.</i> Participants, including Consortium Leaders and health care providers, shall maintain records to document compliance with program rules and orders for at least five years after the last day of service delivered in a particular funding year sufficient to establish compliance with all rules in this subpart.

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

**INFO Item: Audit Released January 2025**

**Attachment A**

**4/28/2025**

**Attachment A**

**RH2024LR004**

Summary of the Rural Health Care Support Mechanism Beneficiary Audit Report Released: February 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
<b>Attachment B</b> Sanford Health	1	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$2,816,331	\$2,488	\$2,488	\$0	N
<b>Total</b>	<b>1</b>		<b>\$2,816,331</b>	<b>\$2,488</b>	<b>\$2,488</b>	<b>\$0</b>	

\* The USAC Management Recovery Action may be less than the Monetary Effect as the circumstances did not warrant a recovery of funds (e.g. the funds disbursed were accurate and the commitment adjustment will prevent future disbursements).

**INFO Item: Audit Released February 2025  
Attachment B  
4/28/2025**

**Attachment B**

**RH2022LR010**



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

***for***

***Sanford Health***

***Audit No. RH2022LR010***

***November 14, 2023***



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**EXECUTIVE SUMMARY**

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division  
Universal Service Administrative Company  
700 12<sup>th</sup> 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 Sanford Health (Beneficiary), Health Care Provider (HCP) Number 17253, 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. Kearney’s responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on the limited review performance audit.

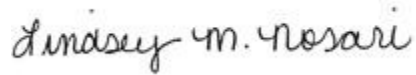
Kearney conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide 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 amount of services received, 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 (Finding) discussed in the Audit Result and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period.

Certain information may have been omitted from this report concerning communications with 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.

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

Sincerely,



Lindsey Nosari  
Engagement Partner

CC: Radha Sekar, USAC Chief Executive Officer  
Mark Sweeney, USAC Vice President, RHC Division

**Audit Result and Commitment Adjustment/Recovery Action**

Audit Result	Monetary Effect	Recommended Recovery	Recommended Commitment Adjustment
<b>Finding: 47 C.F.R. §54.602 (c) (2019) – Beneficiary Did Not Allocate Costs to an Ineligible Site</b> An ineligible site did not pay its share of network costs, as required by the FCC Rules.	\$2,488	\$2,488	\$2,488
<b>Total Net Monetary Effect</b>	<b>\$2,488</b>	<b>\$2,488</b>	<b>\$2,488</b>

**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. See the chart below for USAC management's recovery action by FRN.

	FRN 19657531	USAC Recovery Action
Finding	\$2,488	\$2,488
<b>Total</b>		

## **PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES**

### **PURPOSE**

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

### **SCOPE**

The following chart summarizes the Rural Health Care (RHC) Healthcare Connect Fund (HCF) program support amounts committed and disbursed to the Beneficiary for Funding Year 2019 (audit period):

Service Type	Amount Committed	Amount Disbursed
Dark Fiber	\$367,098	\$252,488
Dedicated Internet Access (DIA)	\$50,177	\$50,177
Ethernet	\$3,305,907	\$2,411,161
Installation of Recurring Services	\$4,863	\$4,111
Internet	\$72,196	\$60,473
Network Switch (HCP owned)	\$17,243	\$17,243
Not Applicable <sup>1</sup>	\$50,951	-
Routers (HCP owned)	\$6,999	\$6,999
Warranty (5 year)	\$13,679	\$13,679
<b>Total</b>	<b>\$3,889,113<sup>2</sup></b>	<b>\$2,816,331</b>

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

The committed total represents 11 FCC Form 462 applications with 11 FRNs. Kearney selected 1 FRN,<sup>3</sup> which represents \$2,805,326 of the funds committed and \$2,020,718 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2019 applications submitted by the Beneficiary.

### **BACKGROUND**

Sanford Health is an integrated health system headquartered in the Dakotas and is now the largest rural, not-for-profit health care system in the nation with locations in 126 communities in nine states. Its goal is to provide a robust and cost-effective infrastructure of broadband services to meet health care related broadband needs.

### **PROCEDURES**

Kearney performed the following procedures:

<sup>1</sup> This is the service type assigned to the selected FRN based on the Open Data.

<sup>2</sup> Subsequent to the date of the commencement of the audit, the Beneficiary submitted a request to downward adjust 6 of the FRNs, which RHCP approved and reduced the committed funds for those FRNs to \$3,159,263. As of the date of this audit report, the total amount remaining committed is \$3,290,268. The FRNs Kearney selected to perform the procedures enumerated below represent \$2,372,386 of the revised committed amount.

<sup>3</sup> The FRN included in the scope of this audit is: 19657531.

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

**B. Competitive Bid Process**

Kearney conducted inquiries of the Beneficiary to determine that no bids were received for the requested services since all services are provided under an Evergreen Master Service Agreement (MSA). The MSA was in place prior to the start of Funding Year 2019 and was valid for the entire audit period. If a contract was executed for the funding year under audit, Kearney reviewed the service provider's contract to determine whether it was properly executed. Kearney evaluated the services requested and purchased to determine whether the Beneficiary selected the most cost-effective option.

**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 HCPs' 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. Health Care Provider 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.

#### **F. 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 the sampled FRN; therefore, our testing procedures were designed to meet that objective.



## **DETAILED AUDIT FINDING**

### **Finding – 47 C.F.R. §54.602 (c) (2019) Beneficiary Did Not Allocate Costs to an Ineligible Site**

#### **CONDITION**

A senior independent living community, Sanford Health Tracy O'Brien Court, is physically connected to HCP 10543, Sanford Tracy Medical Center, via an enclosed hallway, and this living community is not eligible to receive USAC support as a senior independent living community is not defined as an eligible healthcare provider per the FCC rules.<sup>4</sup> The ethernet service for HCP 10543 under line 14 of FRN 19657531 was used to provide administrative support for the living community. A detailed listing of devices covered by FRN 19657531's ethernet circuit revealed that the ethernet supports a total of 234 connections with 11 connections attributed to, and solely used by, the living community. Therefore, 5% of the usage should have been declared ineligible, resulting in \$2,488 of the cost. The Beneficiary over-invoiced USAC by \$2,488 for services supporting an ineligible site due to improper cost allocation.

#### **CAUSE**

The Beneficiary did not properly ensure that funding support for one of its HCPs had proper allocation of costs between eligible and ineligible components of its HCPs sites. The Beneficiary was aware that independent living communities were ineligible, but did not have sufficient policies and procedures in place to identify and properly exclude the ineligible portion of the network costs.

#### **EFFECT**

The monetary effect and recommended recovery for this finding is \$2,488. This amount represents the ineligible connections attributed to the independent living community based on the ratio of living community connections to total connections on that circuit based on what was invoiced to USAC for the entire funding year ( $\$49,743 * 5\% = \$2,488$ ).

FRN	Monetary Effect	Recommended Recovery and Commitment Adjustment
19657531	\$2,488	\$2,488

#### **RECOMMENDATION**

Kearney recommends USAC management seek recovery of the amount identified in the Effect section above.

The Beneficiary must establish and maintain complete knowledge and understanding of the FCC Rules. It must also establish policies and procedures to verify that eligible and ineligible costs are properly allocated and maintain compliance with FCC Rules.

<sup>4</sup> 47 C.F.R. §54.600 (a) (2019).

**BENEFICIARY RESPONSE**

Sanford Health's Management provided the following response: "Sanford Health agrees with the findings of this audit and will conduct an annual review of Sanford locations to ensure that network costs are correctly allocated to ineligible locations."

**KEARNEY'S RESPONSE**

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

**CRITERIA**

Finding	Criteria	Description
#1	<b>47 C.F.R. §54.602 (c) (2019)</b>	<i>Health care support mechanism</i> (c) 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.
#1	<b>47 C.F.R. §54.600 (a) (2019)</b>	(a) <i>Health care provider</i> . A “health care provider” is any: (1) Post-secondary educational institution offering health care instruction, including a teaching hospital or medical school; (2) Community health center or health center providing health care to migrants; (3) Local health department or agency; (4) Community mental health center; (5) Not-for-profit hospital; (6) Rural health clinic; (7) Skilled nursing facility; or (8) Consortium of health care providers consisting of one or more entities described in paragraphs (a) (1) through (7) of this section.

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

Summary of the Rural Health Care Support Mechanism Beneficiary Audit Report Released: March 2025.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment C Adventist Health System	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$2,089,783	\$0	\$0	\$0	N/A
<b>Total</b>	<b>0</b>		<b>\$2,089,783</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**INFO Item: Audit Released March 2025  
Attachment C  
4/28/2025**

**Attachment C**

**RH2023LR007**

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

***for***

***Adventist Health System***

***Audit No. RH2023LR007***

***June 18, 2024***





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**EXECUTIVE SUMMARY**

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division  
Universal Service Administrative Company  
700 12<sup>th</sup> 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 Adventist Health System (Beneficiary), Health Care Provider (HCP) Number 59996, for Funding Year 2020, 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, as amended). 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 amount of services received, 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.

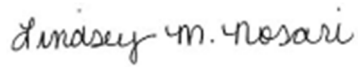
Based on the test work performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were in effect during the audit period.

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.



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

Sincerely,



Lindsey Nosari  
Engagement Partner

CC: Radha Sekar, USAC Chief Executive Officer  
Mark Sweeney, USAC Vice President, RHC Division

## **PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES**

### **PURPOSE**

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

### **SCOPE**

The following chart summarizes the Rural Health Care (RHC) Healthcare Connect Fund (HCF) program support amounts committed and disbursed to the Beneficiary for Funding Year 2020 (audit period):

Service Type	Amount Committed	Amount Disbursed
Dedicated Internet Access (DIA)	\$5,460	\$5,460
Ethernet	\$1,316,889	\$1,316,889
Firewall (HCP owned)	\$156,543	\$156,543
Internet	\$91,793	\$91,793
Internet Access	\$113,170	\$113,170
ISDN PRI	\$57,581	\$57,581
MPLS	\$213,841	\$213,841
T-1 / DS-1	\$36,672	\$36,672
Warranty	\$97,833	\$97,833
<b>Total</b>	<b>\$2,089,783</b>	<b>\$2,089,783</b>

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

The committed total represents 151 FCC Form 462 applications with 151 FRNs. Kearney & Company, P.C. (Kearney) selected 23 FRNs<sup>1</sup>, which represent \$1,609,959 of the funds committed and \$1,609,959 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2020 applications submitted by the Beneficiary.

### **BACKGROUND**

Adventist Health System is a non-profit health care organization that operates facilities within the Southern and Midwestern regions of the United States. Adventist Health System currently operates 45 hospitals with more than 8,200 licensed beds in nine states, 15 skilled nursing facilities and 36 urgent care locations; serves more than five million patients annually in inpatient, outpatient, and emergency room visits; and employs more than 80,000 people. The full continuum of integrated care includes urgent care centers, home health and hospice agencies, and skilled nursing facilities. Adventist Health System has facilities in Florida, Georgia, Tennessee, Kentucky, Illinois, Wisconsin, Kansas, Texas, and Colorado.

### **PROCEDURES**

<sup>1</sup> The FRNs included in the scope of this audit were: 20832801, 20777421, 20777461, 20857031, 20837331, 20849601, 20776841, 20777131, 20773601, 20776821, 20871221, 20765081, 20776191, 20776871, 20773671, 20776811, 20829251, 20772211, 20776851, 20799841, 20851301, 20786021, 20772531.

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

**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 HCPs' 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. Health Care Provider 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.

#### **F. 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 the sampled FRNs; therefore, our testing procedures were designed to meet that objective.

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