Rural Health Care Committee

Audit Report Briefing Book

Monday, July 27, 2026

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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 Reports Released: March 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment A Rural Wisconsin Health Cooperative ITN	1	• **RHC Program Support Not Used for the Provision of Health Care of Instruction – No Cost Allocation** – The Beneficiary did not cost allocate eligible and ineligible activities to receive prorated support for the eligible activities only.	$7,028,370	$3,769,633	$3,769,633	$3,769,633	Partial
Attachment B OptimERA Holdings Inc	0	• Not applicable.	$766,230	$0	$0	$0	N/A
Total	**1**		**$7,794,600**	**$3,769,633**	**$3,769,633**	**$3,769,633**	

Attachment A

RH2024LR001

Rural Wisconsin Health Cooperative ITN

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

USAC Audit No. RH2024LR001

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EXECUTIVE SUMMARY

July 25, 2025

Louis Wenzlow, Executive Director
Rural Wisconsin Health Cooperative ITN
880 Independence Lane
Sauk City, WI 53583

Dear Mr. Wenzlow:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Rural Wisconsin Health Cooperative ITN (the Beneficiary), Health Care Provider (HCP) Number 17252, using the regulations set forth in 47 C.F.R. Part 54, and orders and other program requirements governing the federal Universal Service Rural Health Care Support Mechanism (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, 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. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future USAC or FCC verification, audit, or investigation.

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

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

Sincerely,

Jeanette Santana-González

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

cc: Michele Garber, USAC Interim 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	Recommended Commitment Adjustment
Finding: 47 C.F.R. § 54.602(c)-(d)(2020) – RHC program Support Not Used for the Provision of Health Care or Instruction – No Cost Allocation. The Beneficiary did not cost allocate eligible and ineligible activities (i.e., healthcare and non-healthcare related instruction) to receive prorated support for the eligible activities only.	$3,769,633	$3,769,633	$3,769,633
Total Net Monetary Effect	**$3,769,633**	**$3,769,633**	**$3,769,633**

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 21146621	USAC Recovery Action
Finding	$3,769,633	$3,769,633
Total	**$3,769,633**	**$3,769,633**

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 2021 (audit period):

Service Type	Amount Committed[1]	Amount Disbursed
Bundled Network Management and Operation Services	$5,890,052	$5,890,052
Ethernet	$833,182	$546,507
Installation of Recurring Services	$1,853	$1,203
Internet Access	$251,995	$197,657
ISDN	$17,784	$14,391
Maintenance Contract	$30,680	$30,680
Network Management Services	$347,880	$347,880
Total	**$7,373,426**	**$7,028,370**

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 FCC Form 462 applications with 17 Funding Request Numbers (FRNs). AAD selected five FRNs,[2] which represents $6,482,032 of the funds committed and $6,410,507 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 health care services and health care-related post-secondary instruction within the state of Wisconsin.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the RHC 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

[1] Subsequent to the date of the commencement of the audit, the Beneficiary submitted a request to downward adjust two of the FRNs, FRN 21139041 and FRN 21164061, which the RHC program approved and reduced the committed funds for those FRNs to $40,872 and $204,838, respectively. As of the date of this audit report, the total amount remaining committed is $7,341,210. The FRNs AAD selected to perform the procedures enumerated below represent $6,482,032 of the revised committed amount.

[2] The FRNs included in the scope of this audit were: 21129801, 21131981, 21146621, 21147951, 21150521.

inquiries and inspection of documentation to determine whether the Beneficiary used funding as indicated in its Network Cost Worksheets (NCWs).

AAD examined documentation to determine whether the Project Coordinator obtained Letters of Agency from the Beneficiary's network of HCPs and/or the HCPs' health systems authorizing the Beneficiary's lead entity and/or Project Coordinator to act on their behalf, confirming the HCPs' agreement to participate in the network, confirming the specific timeframe the Letter of Agency covers, and confirming the type of services covered by the Letter of Agency.

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 NCW to 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 provider(s). If a contract was executed for the funding year under audit, AAD reviewed the service provider contract(s) 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 HCPs, 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. Reporting Process

AAD examined documentation to determine whether the Beneficiary submitted its annual reports to the RHC program timely and whether the reports included the required information. AAD examined the

Sustainability Plan and Network Plan to determine whether they included the required content. AAD 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. 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. § 54.602(c)-(d)(2020) – RHC Program Support Not Used for the Provision of Health Care or Instruction – No Cost Allocation

CONDITION

AAD obtained and examined documentation, including the Beneficiary's FCC Form 461, FCC Form 462, NCWs, FCC Form 463, Service Provider's[3] bills, and correspondence between RHC program personnel and the Beneficiary to determine whether the Beneficiary requested and used RHC support services for the provision of health care or instruction for FRN 21146621, as required by FCC Rules.[4] The FRN consisted of 26 sites under the University of Wisconsin (UW) system that were approved as post-secondary educational institutions offering both health care instruction and non-healthcare instruction. AAD determined that the Beneficiary requested RHC HCF program support and did not allocate eligible and ineligible activities to receive prorated support for the eligible activities only. Therefore, the Service Provider invoiced the RHC program for services not used for the provision of health care or instruction.

In its NCW, the Beneficiary requested the entire cost of the services as eligible (*i.e.*, 100 percent of the use was for eligible activities only).[5] The Beneficiary stated that it sought guidance from the RHC program regarding allocating expenses for post-secondary educational institutions when it considered including the UW sites in the consortium for FY 2017.[6] After multiple interactions, the Beneficiary understood the communication to indicate that the expenses were 100 percent eligible. However, the Beneficiary stated that the final decision was provided verbally, and therefore, it did not have documentation for the RHC program's final guidance.[7] The Beneficiary did not submit a cost allocation with its NWC. Thus, the absence of records contributed to the inability to verify the appropriateness of cost allocations, as required by the FCC Rules.[8]

Because the Beneficiary engaged in eligible and ineligible activities, AAD requested a cost allocation methodology during the audit. The Beneficiary provided a cost allocation methodology that would best reflect the Beneficiary's activities between eligible and ineligible, in other words, between healthcare instruction costs and facility usage versus total university instruction and facility use. The Beneficiary provided an allocation method based on the use of services, with 50 percent for research activities and 50 percent for instruction activities. Thus, the methodology has two factors: (a) research expenditures, and (b) instructional hours.[9] The Beneficiary provided documentation to support both factors. These cost allocation inputs, while mathematically consistent, also show the proportion of the services used for eligible health care activities in comparison to the total uses that include both eligible and ineligible purposes. AAD recalculated the allocation methodology based on the support provided. AAD determined the allocation percentage traced to supporting documentation and the rationality for choosing the methodology was adequately documented. AAD identified the following:

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[3] The Service Provider is University of Wisconsin – Madison Department of IT.
[4] *See* 47 C.F.R. § 54.602(d) (2020).
[5] *See* 47 C.F.R. § 54.602(c) (2020).
[6] *See* Beneficiary responses to AIR #5 and #10, received on December 18, 2023, and February 5, 2024, respectively, regarding e-mail correspondence dated from February 2, 2017, through May 31, 2017.
[7] *See* 47 C.F.R. § 54.631(b) (2020).
[8] *See* 47 C.F.R. § 54.602 and 54.613(b) (2020).
[9] *See* Beneficiary provided whitepaper in response to AIR #21, received on April 24, 2024.

Cost Allocation Factors for Eligible Activities	
Factor 1: *Research Expenditure*	
Healthcare Expenditures	$641,064,497
Total Expenditures	$1,523,512,620
Research Expenditures Percentage (A)	**42%**
Factor 2: *Instructional Hours*	
Healthcare Instructional Hours	1,192,000
Total Instructional Hours	4,024,000
Instructional Hours Percentage (B)	**30%**
Cost Allocation Factors for Eligible Activities (C)=((A)*50%)+((B)*50%)	**36%**

By certifying the FCC Form 465, the Beneficiary agreed that it received RHC HCF support for these locations that were using the services solely for the purposes reasonably related to the provision of health care or instruction that the healthcare provider is legally authorized to provide under state law.[10] However, the Beneficiary did not allocate the cost of services between eligible and ineligible activities so that it receive only a pro-rated amount of support for the eligible activities, as required by FCC Rules.[11] In addition, the Beneficiary failed to submit a written cost allocation methodology to support its NCW.[12] Thus, AAD concludes that the RHC program was invoiced for the commitment amount of $3,769,633 for FRN 21146621, representing ineligible activities ($5,890,052 committed multiplied by 64 percent (100 percent - 36 percent of eligible activities as calculated above)).

CAUSE

The Beneficiary did not demonstrate sufficient knowledge of the FCC Rules requiring allocation of eligible and ineligible activities. Further, the Beneficiary did not maintain written documentation of correspondence that evidenced their compliance with RHC program rules and orders.[13]

EFFECT

The monetary effect for this finding is $3,769,633. This amount represents the amounts committed and disbursed by the RHC program for the portion of the cost of services determined to be ineligible because they did not relate to the provision of health care or health care instruction during the funding year 2021 for FRN 21146621.

RECOMMENDATION

AAD recommends that USAC Management seek recovery of the total amount of $3,769,633 from the Beneficiary and issue a downward commitment adjustment for the same amount to adjust the total committed amount to $2,120,419 for funding year 2021.

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[10] *See Form 465 Instructions*, (OMB 3060-0804), July 2014, at 5, Block 6, Line 33.
[11] *See* 47 C.F.R. § 54.602(c) (2020).
[12] *See* 47 C.F.R. § 54.617(d)(3) (2020).
[13] Beneficiary response to the Summary of Exceptions received on July 25, 2024.

The Beneficiary has already developed a method for allocating costs at the post-secondary educational institutions. AAD recommends that the Beneficiary re-evaluate this methodology annually before submitting funding requests, as the methodology is required to be provided to the RHC program with submitted requests.[14] The Beneficiary must retain sufficient documentation to establish compliance with RHC program rules and orders. The Beneficiary may learn more about required cost allocations and documentation retention requirements at https://www.usac.org/rural-health-care/learn/.

BENEFICIARY RESPONSE

RWHC ITN and University of Wisconsin System partially disagree (see below for explanation) with the cost allocation finding and disagree with the collection recommendation.

Regarding the cost allocation finding:

We believe that while generally accurate, the following statements in the cost allocation finding need additional context:

- “The Beneficiary stated that it sought guidance from the RHC program regarding allocating expenses for post-secondary educational institutions when it considered including the UW sites in the consortium…”
- “The Beneficiary stated that the final decision was provided verbally, and therefore they did not have documentation to provide AAD with RHC program’s final guidance.”
- “The beneficiary did not submit a cost allocation along with its NCW. Thus the absence of records contributed to the inability to verify the appropriateness of cost allocations, as required by the FCC Rules.”

Consistent with our AIR #10 response, we wish to clarify that not only did we “state” we sought guidance, but there is an email record demonstrating that we specifically asked Program staff the question: “When determining whether requests for funding qualify as ‘solely for the purposes of healthcare service or instruction,’ how are services for post-secondary educational institutions handled?”

In the same email, we then went on to articulate the framework of a 100% allocation rationale: “It is our perspective that there are very few, if any, post-secondary institutions that offer solely healthcare instruction. Rather, there is healthcare instruction among various other curriculum requirements, and there is no reasonable way to separate the services required to support the needs of the institution for their healthcare-related instruction versus their "other" instruction. Additionally, "other" instruction is also often required for students to attain their degrees (i.e. students pursuing healthcare careers are required to take for example, English classes, which build critical communications skills for whatever field(s), including healthcare, the students end up pursuing). Given the above complexity, we are seeking guidance regarding how USAC handles this issue with other post-secondary educational institutions. Can all eligible expenses for educational institutions that achieve HCP designation (460 approval) be considered "solely for the purposes of healthcare service or instruction?" And if not, how is it possible to segregate expenses, given that the same level

[14] *See* 47 C.F.R. § 54.617(d)(3)(2020).

of service is required, whether providing for strictly healthcare-related or for all instruction?"

As stated in the finding, we contend that Program staff approved the 100% allocation based on the above rationale during a phone call that was scheduled to address these questions/issues.

While it is true that we did not submit a cost allocation methodology document along with our NCW in the 462 application, it was our understanding that we had already conveyed and Program staff had approved the rationale for 100% funding. It was also our understanding that when requesting funding, a cost allocation methodology only needs to be submitted with the NCW in the 462 application if there is an allocation. That is to say, when submitting 462s for rural hospitals where the entire amount is clearly healthcare-related and eligible, it is our understanding that no cost allocation methodology document is required to be attached. Since it was our understanding that we had been instructed to select 100% allocation, we did not think it necessary to attach an allocation methodology document.

The finding also states "AAD requested a cost allocation methodology during the audit…" and goes on to identify the methodology we developed that led to the 36% allocation revised amount.

We wish to articulate that prior to our developing the methodology that led to the 36% allocation amount, in AIR #10 we rearticulated and expanded our original argument for 100% allocation, after which AAD indicated that the 100% allocation rationale was not valid and provided more specific guidance on what could be considered a "reasonable" allocation methodology. RWHC ITN and UW system then worked closely with AAD to analyze student designations and research expenditures to arrive at the 36% allocation methodology based on the guidance provided by AAD staff.

With the above as background, our position is that we frankly still do not know whether the original guidance we received to submit at 100% allocation is correct or incorrect.

We maintain that at the time of our initial application it was our understanding that Program's position was that the 100% allocation was reasonable, and it was and remains our understanding that it was applied not just in our case but to other post-secondary educational institutions. We assumed that this was the "official" Program position. That said, it is possible that since we were one of the first consortia to apply for post-secondary educational institution funding, there was not yet a defined position on this issue, and the Program staff who worked with us may have provided us with incorrect guidance.

RWHC ITN has always strived to accurately navigate the complexities of the Order and its revisions, and whenever we are unsure of how the Order should be interpreted, we reach out to Program for clarification, as was the case with this issue and has been with many others.

We indicated above that we partially disagree with the allocation finding. By that we mean the following:

We disagree with the “Cause” statement: “The beneficiary did not demonstrate sufficient knowledge of the FCC Rules requiring eligible and ineligible activities and did not maintain documentation of correspondence that evidenced their compliance with RHC program rules and orders.”

In fact, it is clear from our email correspondence with Program about the post-secondary institution healthcare allocation issue (documentation that we maintained) that (1) we had sufficient knowledge of the Order to request clarification on exactly the issues that are now under consideration, and (2) Program staff was informed of our questions regarding these issues. In retrospect, we should have requested a written confirmation of the verbal guidance to attest at 100% allocation. But in practice, Program does not always provide written guidance and in many cases references that the issue can only be decided as part of the formal 462 application process.

Again, we understand that it’s possible the verbal guidance we received was not Program’s official position but rather incorrect guidance by Program staff, and we believe that the correct allocation method hinges on whether the guidance we received was Program’s official position.

If the verbal guidance was Program’s official position, we believe the 100% allocation should be upheld unless and until an associated Order clarification is issued. We state this because we do not believe that Program participants should be subjected to shifting interpretations that change without documentation. This would be an inherently unfair state of affairs. We believe that critical questions such as the ones we asked relating to post-secondary educational institution healthcare allocation should be considered, clearly answered, and documented by Program so that guidance on such issues is consistent between Program participants and over time.

If the verbal guidance was not Program’s official position and rather a misunderstanding by Program staff, we agree that moving forward, the 36% allocation should be applied.

In either case, we do not believe that a collection is fair or warranted, as discussed below.

Regarding the collection recommendation:

Given the circumstances described above, and regardless of what is decided regarding the allocation issue, we disagree with the collection recommendation and respectfully ask Program and the FCC to finalize the finding without the collection recommended by the AAD.

We believe the following factors support our request for waiving collection:

First, if the allocation finding is finalized and upheld, we believe that based on the email records we provided, there is reason to believe that Program staff provided us with misguidance on the issue of post-secondary education institution healthcare allocation; and we believe that other consortia were provided with and followed the same guidance.

Second and pursuant to the first, we contend that we attested to 100% allocation in good faith after due diligence, and therefore should not be penalized for circumstances that were no fault of our own.

Third, we believe our history and reputation in relation to the Rural Healthcare Program has been positive and supports our contention that we acted in good faith.

- RWHC ITN was one of the first consortia to get funded through the Pilot Program, and we worked closely with Program during the Pilot Program and during the transition from the Pilot Program to the Healthcare Connect Fund Program, to help establish the documentation standards of those programs: The RFPs we developed, our vendor evaluation procedures and cost-effectiveness scoring matrices have been used as models for other consortia to follow.
- We believe we have a reputation for honesty, thoroughness, and responsiveness when we work with Program staff on resolving issues or responding to information requests.
- After the Pilot Program, Program conducted a two week onsite audit at our offices, which resulted in one minor finding (invoices were submitted before the 15% contribution was paid) with no monetary impact.
- Our current audit has been a thorough examination of our Healthcare Connect Fund protocols and procedures, and this is the only finding under consideration.

Fourth, the monetary impact of the collection recommendation would impose an undue financial burden on both University of Wisconsin System and the RWHC ITN consortium.

- The University of Wisconsin ranks among the lowest in the country for public funding of four-year universities. It has or is in the process of closing 6 of its 26 campuses due to lack of funding and declining enrollment, and several of the remaining campuses are running at a structural deficit. Setbacks such as the proposed collection will make the current situation worse and will contribute to the need to raise student tuition.
- RWHC ITN is a not-for-profit organization that serves its rural hospital members by providing a shared EHR archive, a PACS (Picture Archive Communications System), and an ERP (Enterprise Resource Planning System), as well as by operating the Healthcare Connect Fund Consortium. The proposed collection would fully deplete our cash reserves, and destabalize our ability to serve our members. If appropriate guidance had been given at the pre-application (when we initially requested an answer to the allocation question) or at the application phase of the funding request, we would have been able to adjust our business model to achieve ongoing sustainability. A collection at this stage creates challenges that have the potential to lead to the closure of our organization.

We appreciate Program’s and the FCC’s contribution to and support for rural healthcare. Thank you for the opportunity to provide this response.

AAD RESPONSE

In its response, the Beneficiary indicates that it partially disagrees with the condition of the finding and disagrees with the cause section of the finding and the recommended recovery actions.

Regarding the cost allocation condition and cause sections of the finding, the Beneficiary adds more context to the Condition section. The Beneficiary stated that it provided an email to AAD as evidence of seeking guidance from the Program, which demonstrates it was aware of the FCC Rules and Order. AAD agrees with the additional context provided regarding the details of the emails referenced. The Beneficiary did specifically ask for guidance related to the statement "solely for the purpose of healthcare service or instruction" for post-secondary educational institutions. The email also states that it is their first time requesting for a post-secondary educational institution, discusses the difficulty to separate out other instruction from healthcare related instruction, and asks for RHC program assistance on how to segregate expenses or can they allocate at 100 percent. AAD clarifies that regardless of RHC program's Program Integrity Assurance (PIA) review process, AAD audits the compliance of the Beneficiary with the FCC Rules, following GAGAS. Also, AAD clarifies that the RHC program PIA procedures may differ from AAD's audit procedures.

AAD agrees that the Beneficiary asked AAD for allocation methodologies encountered by the audit team in other prior audits and worked closely with the Beneficiary's personnel to ensure their allocation percent was accurate and complete. AAD did not opine or influence the allocation methodology selected by the Beneficiary. AAD only reiterated the regulatory requirements and traced from the allocation percent to source data.

AAD disagrees with the assertion that revising the Cause statement requires revisions based on the Beneficiary's comments. As the Beneficiary stated in this response, the Beneficiary "still does [not] know whether the original guidance we received to submit at 100% allocation is correct or incorrect." The Beneficiary argues that allocation is inappropriate under the circumstances because even funds that are used for instruction but are not directly related to the provision of health care services support the provision of these services indirectly. As an example, it states that instructing students in English builds communication skills helpful in fields including health care. As explained in the Condition section, however, the Beneficiary uses the RHC supported services for both health care instruction and non-healthcare instruction purposes, thus, a cost allocation was required per the FCC Rules.

Regarding the collection recommendation, AAD cannot opine on the collection of the recommended recovery, as it is ultimately USAC Program Management's decision.

For the reasons above, this finding remains unchanged.

CRITERIA

The 47 C.F.R. § 54.602(c)-(d) (2020) Healthcare support mechanism states:

> "(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.
> (d) Health care purposes. Services for which eligible health care providers receive support from the Telecommunications Program or the Healthcare Connect Fund Program 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."

The 47 C.F.R. § 54.631(b) (2020) Recordkeeping states:

"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."

Form 465 Instructions, (OMB 3060-0804), July 2014, at 5, Block 6, Line 33 states:

"The authorized representative to certify that the services for which the health care provider receives a discount will not be used for unauthorized purposes. Specifically, the representative must certify that such services will be used solely for purposes reasonably related to the provision of health care or instruction that the health care provider is legally authorized to provide under the law of the state in which the services are provided. The representative must also certify that the discounted services that the HCP receives will not be sold, resold, or transferred in consideration for money or any other thing of value."

The 47 C.F.R. §§ 54.617(d)(1)(ii), 54.617(d)(3), 54.617(d)(4) (2020) Cost allocation for ineligible sites, services, or equipment states:

"…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."

(3) Written description. Applicants must submit a written description of their allocation method(s) to the Administrator with their funding requests.

(4) Written agreement. If ineligible entities participate in a network, the allocation method must be memorialized in writing, such as a formal agreement among network members, a master services contract, or for smaller consortia, a letter signed and dated by all (or each) ineligible entity and the Consortium Leader."

This concludes the report.

Attachment A

RH2025SP001

OptimERA Holdings Inc

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

USAC Audit No. RH2025SP001

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EXECUTIVE SUMMARY

August 1, 2025

Emmett Fitch, CEO
OptimERA Holdings Inc.
P.O. Box 921134
Dutch Harbor, AK 99692

Dear Mr. Fitch:

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of OptimERA Holdings Inc. (the Service Provider), Service Provider Identification Number (SPIN) 143050927, 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). Compliance with the FCC Rules is the responsibility of the Service Provider. 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 did not disclose any areas of non-compliance with the FCC Rules that were examined and in effect during the audit period. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future USAC or FCC verification, audit, or investigation.

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 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 you and your staff provided during the audit.

Sincerely,

Jeanette Santana-González

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

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

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Rural Health Care (RHC) Telecommunications program support amounts committed and disbursed to the Service Provider for Funding Year 2023 (audit period):

Service Type	Amount Committed	Amount Disbursed
Multi-Protocol Label Switching (MPLS)-Dedicated	$766,230	$766,230

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

The committed total represents one FCC Form 466 application with one Funding Request Number (FRN). AAD selected the FRN,[1] which represents 100 percent of the funds committed and disbursed during the audit period, to perform the procedures enumerated below for the Funding Year 2023 applications submitted by the Beneficiary.

BACKGROUND

The Service Provider provides MPLS – Dedicated services to its health care provider customers and its headquarters are located in Unalaska, Alaska.

PROCEDURES

AAD performed the following procedures:

A. Eligibility Process

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

AAD examined the Funding Commitment Letter and the Service Provider's contract to ensure the contract met all requirements of an Evergreen contract, which allowed the Beneficiary to request an exemption from the competitive bidding process for Funding Year 2023.

[1] The FRN included in the scope of this audit is 2327578.

C. Rural and Urban Rates
AAD conducted inquiries and examined the Service Provider's contract, service agreement, service quote, 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 Form 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 the Beneficiary were consistent with the terms and specifications of the Service Provider 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 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 at the rural rate and collected payment only for the selected Beneficiaries' equivalent of the urban rate for eligible services purchased with universal service discounts.

F. Health Care Provider Eligibility and Location
AAD examined documentation to determine whether the Beneficiary was a public or non-profit eligible health care provider. AAD determined whether the Beneficiary is located in a rural area and that its physical address was the same as listed on the FCC Forms 466.

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

**This concludes the report.

Summary of the Rural Health Care Support Mechanism Beneficiary Audit Report Released: April 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment C Willis-Knighton Health System	0	• Not applicable.	$123,052	$0	$0	$0	N/A
Total	**0**		**$123,052**	**$0**	**$0**	**$0**	

Attachment C

RH2025LR003

Willis-Knighton Health System

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

USAC Audit No. RH2025LR003

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EXECUTIVE SUMMARY

April 25, 2025

Jaf Fielder, President & CEO
Willis-Knighton Health System
2600 Greenwood Rd
Shreveport, LA 71103

Dear Mr. Fielder,

The Universal Service Administrative Company (USAC or Administrator) Audit and Assurance Division (AAD) audited the compliance of Willis-Knighton Health System (the Beneficiary), Health Care Provider (HCP) Number 65262, 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). 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, as well as performing other procedures AAD considered necessary to make a determination regarding the Beneficiary's compliance with the FCC Rules. The evidence obtained provides a reasonable basis for AAD's findings and conclusions based on the audit objectives.

Based on the test work performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were examined and in effect during the audit period. USAC's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future USAC, or FCC verification, audit, or investigation.

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 you and your staff provided during the audit.

Sincerely,

Jeanette Santana-González

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

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

PURPOSE, SCOPE, BACKGROUND AND PROCEDURES

PURPOSE

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

SCOPE

The following chart summarizes the Rural Health Care (RHC) Healthcare Connect Fund (HCF) program support amounts committed and disbursed to the Beneficiary for Funding Year 2023 (audit period):

Service Type	Amount Committed	Amount Disbursed
Ethernet	$143,942	$15,950
Internet Access	$17,971	$0
Dark Fiber	$29,912	$7,882
T1/DS1	$6,123	$6,123
ISDN	$50,635	$50,635
Dedicated Internet Access (DIA)	$29,780	$29,780
Virtual Private Network (VPN)	$12,682	$12,682
Total	**$291,045**	**$ 123,052**

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

The committed total represents seven FCC Form 462 applications with seven Funding Request Numbers (FRNs). AAD selected four FRNs,[1] which represent $237,388 of the funds committed and $69,395 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2023 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary provides health care services within the state of Louisiana.

PROCEDURES

AAD performed the following procedures:

A. Application Process

AAD obtained an understanding of the Beneficiary's processes relating to the RHC HCF program. AAD examined documentation to support its effective use of funding and to determine whether adequate

[1] The FRNs included in the scope of the audit are: RHC20230019174, RHC20230019178, RHC20230024037, and RHC20230026705.

controls existed to ensure 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 documentation to determine whether the Project Coordinator obtained Letters of Agency from the Beneficiary's network of HCPs and/or the HCPs' health systems authorizing the Beneficiary's lead entity and/or Project Coordinator to act on their behalf, confirming the HCPs' agreement to participate in the network, confirming the specific timeframe the Letter of Agency covers, and confirming the type of services covered by the Letter of Agency.

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

B. Competitive Bid Process

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

C. Eligibility

AAD conducted inquiries and direct observations, 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. Sustainability Plan and Network Plan Reporting Process

AAD examined documentation to determine whether the Beneficiary submitted its annual reports to the RHC Program timely and whether the reports included the required information. AAD examined the Sustainability Plan and Network Plan to determine whether they included the required content. AAD 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. 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.

This concludes the report.

Summary of the Rural Health Care Support Mechanism Beneficiary Audit Report Released: May 2026.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Commitment Adjustment	Entity Disagreement
Attachment D New England Telehealth Consortium	1	• **Inadequate Documentation - Unable to Verify Service Usage.** A healthcare provider was unable to produce records validating services paid, resulting in payment for services that could not be verified.	$6,648,321	$71,292	$71,292	$0	Y
Total	**1**		**$6,648,321**	**$71,292**	**$71,292**	**$0**	

Attachment D

RH2022LR007

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

for

New England Telehealth Consortium

Audit No. RH2022LR007

June 23, 2023

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 New England Telehealth Consortium (the Beneficiary), Health Care Provider (HCP) Number 17234, for Funding Year 2019, using the regulations set forth in 47 Code of Federal Regulations (C.F.R.) Part 54, and orders and other program requirements governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism (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 Results and Commitment Adjustment/Recovery Action section. For the purpose of this report, a Finding is a condition that shows evidence of non-compliance with the FCC Rules that were in effect during the audit period. Kearney's determination is based on the circumstances in this audit and is neither binding nor limiting to any other past or future Kearney, Universal Service Administrative Company (USAC), or FCC verification, audit, or investigation.

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,

Lindsey M. Nosari

Lindsey Nosari
Engagement Partner

CC: Michelle Garber, USAC Interim Chief Executive Officer
Mark Sweeney, USAC Vice President, RHC Division

Audit Result and Commitment Adjustment/Recovery Action

Audit Result	Monetary Effect	Recommended Recovery
Finding #1: 47 C.F.R. § 54.648 (b) (2019) Inadequate Documentation - Unable to Verify Service Usage A healthcare provider was unable to produce records validating services paid for by the Healthcare Connect Fund Program, resulting in payment for services that could not be verified, per the FCC Rules.	$71,292	$71,292
Total Net Monetary Effect	**$71,292**	**$71,292**

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.

	FRN	NCW Line Number	USAC Recovery Action	Rationale for Difference (if any) from Auditor Recommended Recovery
Finding #1	19659081	5	$ 37,270	
		6	$ 6,212	
		7	$ 6,212	
		9	$ 6,212	
		10	$ 6,211	
		11	$ 6,211	
		21	$ 2,964	
	Total		**$ 71,292**	

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 (FY) 2019 (audit period):

Exhibit 1: Total Committed and Disbursed

Service Type	Amount Committed	Amount Disbursed
Bundled Network Management and Operation Services	$225,370	$225,370
Cable Modem Service	$1,064	$973
Dark Fiber	$593,571	$591,946
Dedicated Internet Access (DIA)	$186,084	$180,787
Ethernet	$2,680,573	$2,633,115
Firewall (HCP owned)	$132,370	$25,707
Firewall (leased)	$10,727	$10,727
Installation of Equipment	$14,979	$6,627
Installation of Recurring Services	$162	$162
Internet	$257,266	$256,303
Internet Access	$13,260	-
ISDN	$6,786	-
ISDN PRI	$288,592	$285,228
Maintenance Contract	$13,303	$2,025
Maintenance Contract (3 year)	$112,657	$88,321
Maintenance Contract (5 year)	$303,932	$303,932
Managed Ethernet	$2,425	$2,425
Managed MPLS	$28,212	$28,212
MPLS	$21,931	$21,931
Network Management Services	$19,110	$19,110
Network Operation	$580,868	$580,868
Network Shared Infrastructure	$1,049,566	$1,049,566
Network Switch (HCP owned)	$159,552	$159,552
Network Switch (leased)	$26,212	$26,212
Professional Services	$2,019	$2,019
Routers (HCP owned)	$72,498	$43,653
Routers (leased)	$2,735	$2,735
Software for Network Management	$21,605	$21,605
T-1 / DS-1	$52,718	$52,718
Wide Area Network (WAN)	$26,492	$26,492
Total	**$6,906,639**[1]	**$6,648,321**

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

[1] Subsequent to the commencement of the audit, the Beneficiary submitted a request to downward adjust 2 of the FRNs, which the RHC Program approved and reduced the committed funds for those FRNs to $0. As of the date of this audit report, the total amount remaining committed is $6,828,378. The FRNs Kearney selected to perform the procedures enumerated below represent $4,446,546 of the revised committed amount.

The committed total represents 217 FCC Form 462 applications with 217 FRNs. Kearney selected 23 FRNs,[2] which represent $4,503,195 of the funds committed and $4,285,762 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the FY 2019 applications submitted by the Beneficiary.

BACKGROUND

The Beneficiary provides sustainable broadband healthcare network services, including Internet access, to greatly improve the capability and efficiency of healthcare in Maine, New Hampshire, and Vermont.

PROCEDURES

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 (NCWs).

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 whether 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 to provide eligible services. Kearney 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. Kearney 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, Kearney reviewed the service provider contracts to determine whether they were properly executed. Kearney evaluated the services requested and purchased to determine whether the Beneficiary selected the most cost-effective option.

[2] The FRNs included in the scope of this audit were: 19663781, 19642651, 19655741, 19659081, 19660321, 19666011, 19643761, 19551931, 19660681, 19626351, 19664251, 19660041, 19659771, 19665271, 19664891, 19584121, 19634531, 19659701, 19663561, 19665231, 19661421, 19644571, 19203201

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.

Detailed Audit Finding

Finding – 47 C.F.R. § 54.648 (b) (2019) Lack of Documentation - Unable to Verify Service Usage

CONDITION

During the site visit at Penobscot Bay Medical Center, representatives from the Beneficiary and Penobscot Bay Medical Center/MaineHealth (MaineHealth) claimed that seven circuits, associated with NCW line items 5, 6, 7, 9, 10, 11, and 21 for FRN 19659081, were disconnected between Funding Year FY 2019 and the date of the audit site visit.[3] Therefore, no verification of the existence and connection of those circuits was performed, and disconnection notices were requested from the Beneficiary. The Beneficiary found that these circuits should have been disconnected during FY 2019, but were, in fact, still active during the time of the audit site visit (November 2022). The Beneficiary and MaineHealth were unaware that the circuits in question were still active, and proceeded with turning down and disconnecting the circuits in December 2022; however, the equipment that was used to carry the connection was disabled and wiped, so no connection reports or logs were able to be generated to show that the connections had been active previously.

The Beneficiary did not retain adequate documentation (i.e., photos, reports, usage logs, or other evidence) that the circuits were previously connected and operational during the funding year under audit, nor was it confirmed at which point during FY 2019 the circuits were thought to have been disconnected. Furthermore, the Beneficiary contacted their service provider, Lincolnville Communications, Inc., to determine if there was a digital footprint of the usage logs; however, the service provider did not have anything available. Because the Beneficiary and the service provider did not retain documentation to support that the circuits were used in FY 2019, we conclude the Beneficiary over-invoiced the RHC program for seven circuits through the FCC Form 463 for FY 2019.

CAUSE

The lack of adequate document retention procedures prevented the HCP site representatives from properly accounting for some of the RHC program-funded connections.

EFFECT

The monetary effect and recommended recovery for this finding is $71,292. This amount represents the total reimbursed to the Service Provider for disconnected circuits that were not eligible for reimbursement.

FRN	NCW Line Number	Monetary Effect and Recommended Recovery
19659081	5	$ 37,270
	6	$ 6,212
	7	$ 6,212
	9	$ 6,212

[3] Site visit occurred on November 29, 2022.

FRN	NCW Line Number	Monetary Effect and Recommended Recovery
	10	$ 6,211
	11	$ 6,211
	21	$ 2,964
Total		**$ 71,292**

RECOMMENDATION
Kearney recommends that USAC Management seek recovery of the amounts identified in the Effect section above from the Beneficiary and the Service Provider.

The Beneficiary and Service Provider must establish and maintain complete knowledge and understanding of the FCC Rules to verify that eligible services are tracked, properly billed, and disconnected timely when no longer needed.

BENEFICIARY RESPONSE
For the reasons that follow, the Beneficiary does not concur with the proposed audit finding.

NETC will offer sworn declarations by two individuals with personal knowledge that the Penobscot Bay Medical Center circuits in question were connected, operational, and otherwise put to eligible use during funding year ("FY") 2019: from NETC and from MaineHealth (owner of Penobscot Bay Medical Center). These declarations under penalty of perjury provide sufficient alternative audit evidence that there was no waste of programmatic funding (or any rule violation) that could warrant recovering the funding for those circuits. These sworn statements should be considered in the context of the overall risk environment here which was obviously low given there were no other findings in an audit of covering 23 FRNs, hundreds of other circuits, and over $4.2 million in disbursed funding.

Kearney is asserting that if NETC could have demonstrated that the circuits were connected and operational on November 29, 2022, the date of the site visit, that [sic] that would have provided sufficient audit evidence that the circuits were connected and operational in FY 2019. It is in the absence of visual inspection evidence in 2022 that Kearny asserts that NETC or Penobscot Bay Medical Center is required to produce "photos, reports, usage logs, or other evidence" from FY 2019. NETC respectfully submits that two sworn statements from knowledgeable individuals provide *better* audit evidence of operational circuit usage in FY 2019 than a visual inspection more than two years later.

Moreover, Federal Communications Commission ("FCC" or "Commission") rules governing document retention in the Rural Health Care program do not require health care providers to retain "photos, reports, usage logs" validating that a circuit was connected and operational during a particular point in time. Instead, 47 C.F.R. section 54.648(b)(2) (2019) required "*Vendors* shall retain records related to the delivery of supported services . . .." (emphasis added.) This requirement is typically satisfied with invoices supplied by the service provider, not usage logs or photographs. Either way, the rule is clear that *this is an obligation of the service provider, not*

NETC or MaineHealth. Therefore, if any financial recovery is due here, it should be against the service provider, not NETC or MaineHealth.[4]

Lastly, to the extent Kearney maintains NETC or MaineHealth were required to retain "photos, reports, [and/or] usage logs", we respectfully request Kearney identify where this requirement is set forth in the rules or FCC orders governing the program.

SERVICE PROVIDER RESPONSE

Lincolnville Communications, Inc. bills Penobscot Bay Medical Center for dark fiber service under a contract. This billing is sent monthly and is typically paid within 45 days. Penobscot Bay Medical Center received the invoices in time the period in question and paid them.

Lincolnville Communications, Inc. does not have a digital footprint or logs to confirm the usage of dark fiber connections that Penobscot Bay Medical Center has purchased. We can only confirm that the customer was invoiced and they have paid for the services in their contract. We feel it is solely the responsibility of the HCP to inform their service provider if they no longer have use of the dark fiber connection.

Any funds we receive from USAC for RHC reimbursement are paid to the HCP.

KEARNEY'S RESPONSE TO THE BENEFICIARY

In its response, the Beneficiary offers to provide sworn declarations from individuals with knowledge of the circuits referenced in the Detailed Audit Finding (DAF) were connected, operational, and otherwise put to eligible use during FY 2019. According to (GAGAS, this type of evidence would be considered "testimonial evidence,[5]" which may be useful in interpreting or corroborating documentary or physical information; however, it does not provide sufficient audit evidence.

In its response, the Beneficiary states that "Kearney is asserting that if NETC could have demonstrated that the circuits were connected and operational on November 29, 2022, . . . that would have provided sufficient audit evidence that the circuits were connected and operational in FY 2019." This statement is not correct. As stated in the Condition section of the DAF, Kearney requested disconnection notices from the Beneficiary based on the information included on the NCW line items 5, 6, 7, 9, 10, 11, and 21 for FRN 19659081. The Beneficiary was not aware these circuits were still active until the disconnection notices were requested. The "photos, reports, usage logs, or other evidence" referenced, while not specifically called out in the FCC Rules, represent examples of the type of evidence that would be allowable to comply with 47 C.F.R. § 54.648(b) (2019). This evidence was needed to support that the circuits were previously connected and operational during the funding year under audit and without it, we were unable to confirm at which point during FY 2019 the circuits should have been disconnected.

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[4] The service provider "was in a better position to prevent the statutory or rule violation, and [is the] party [which] committed the act or omission that forms the basis for the statutory or rule violation." *See Federal-State Joint Board on Universal Service; Changes to the Board of Directors for the National Exchange Carrier Association, Inc.; and Schools and Libraries Universal Service Support Mechanism*, CC Docket Nos. 96-45, 97-21 and 02-6, Final rule; clarification, 69 Fed. Reg. 55983, 55984, ¶ 7 (2004).

[5] See *Generally Accepted Government Audit Standards (2018 Revision, as Amended),* Sections 8.104 and 8.105.

In its response, the Beneficiary states that "rules governing document retention in the Rural Health Care program do not require health care providers to retain 'photos, reports, usage logs' validating that a circuit was connected and operational during a particular point in time." As noted above, while this type of evidence is not specifically called out within the FCC Rules, they are examples of the types of records that could be kept to comply with 47 C.F.R. § 54.648(b). Kearny clarifies that we requested any type of documentation, which includes photos, reports, usage logs but was not limited to, such that demonstrated that a circuit was connected and operational during the timeframe under audit. Additionally, the Beneficiary states "the rule is clear that this is an obligation of the service provider, not NETC or MaineHealth." Under 47 C.F.R. §54.648(b) (2019), both the Beneficiary and the Service Provider are obligated to maintain records related to the circuits in question.. See the Criteria Section below for details.

For these reasons, Kearney recommends USAC Management continue to seek the recovery of the amounts identified above from the Beneficiary and Service Provider.

KEARNEY'S RESPONSE TO THE SERVICE PROVIDER

In its response, the Service Provider states it "received the invoices in time [for] the period in question and paid them." The issuing of a bill and corresponding payment does not in itself represent that the circuits were in use, however. As described within the DAF, the risk associated is that neither the Service Provider nor the Beneficiary can provide evidence that the circuits were in use and that the billing was accurate or justified.

Further, in its response, the Service Provider states that "Lincolnville Communications, Inc. does not have a digital footprint or logs to confirm the usage of dark fiber connections that Penobscot Bay Medical Center has purchased." Kearney concurs with this point and additionally agrees that it is the responsibility of the HCP to alert the Service Provider when a service is no longer needed. The core issue in the DAF is not whether the fiber was lit; however, it describes the fact that when the HCP was asked to demonstrate that the service being reimbursed by RHC program funds was active and in use, they did not know the current status of the service. This demonstrates a risk that the HCP does not or did not know the status of the services being reimbursed by the RHC program for FY 2019 and may have been paid for services that could not be confirmed to have been active and in use.

For these reasons, Kearney recommends USAC Management continue to seek the recovery of the amounts identified above from the Beneficiary and Service Provider.

Criteria

Finding	Criteria	Description
#1	**47 C.F.R. §54.648 (b) (2019)**	(b) *Recordkeeping.* (1) Participants, including Consortium Leaders and health care providers, shall maintain records to document compliance with program rules and orders for at least 5 years after the last day of service delivered in a particular funding year. Participants who receive support for long-term capital investments in facilities whose useful life extends beyond the period of the funding commitment shall maintain records for at least 5 years after the end of the useful life of the facility. Participants shall maintain asset and inventory records of supported network equipment to verify the actual location of such equipment for a period of 5 years after purchase. (2) Vendors shall retain records related to the delivery of supported services, facilities, or equipment to document compliance with program rules and orders for at least 5 years after the last day of the delivery of supported services, equipment, or facilities in a particular funding year. (3) Both participants and vendors shall produce such records at the request of the Commission, any auditor appointed by the Administrator or the Commission, or of any other state or federal agency with jurisdiction.
	Generally Accepted Government Auditing Standards (2018 Revision, as amended) 8.90	*Requirements: Evidence* 8.90 Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions.

This concludes the report.