



# Rural Health Care Committee Meeting

## Audit Report Briefing Book

Monday, April 25, 2022

Available For Public Use

Universal Service Administrative Company Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Franciscan Alliance, Inc. <b>Attachment A</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$1,405,398	\$0	\$0	\$0	N
Lakewood Health Systems Consortium <b>Attachment B</b>	2	<ul style="list-style-type: none"> <li>No significant findings.</li> </ul>	\$211,781	\$29,957	\$29,902	\$0	N
UAMS E-Link Network <b>Attachment C</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$4,150,797	\$0	\$0	\$0	N
<b>Total</b>	<b>2</b>		<b>\$5,767,976</b>	<b>\$29,957</b>	<b>\$29,902</b>	<b>\$0</b>	

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

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

**Attachment A**

**RH2019BE002**

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# Franciscan Alliance, Inc.

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Performance Audit on Compliance with the Federal Universal Service Fund Rural  
Health Care Support Mechanism Healthcare Connect Fund Program Rules  
USAC Audit No. RH2019BE002

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## EXECUTIVE SUMMARY

January 31, 2022

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of Franciscan Alliance, Inc. (Beneficiary), Health Care Provider Number (HCP) 39187, using regulations and orders governing the federal Universal Service Rural Health Care Support Mechanism, Healthcare Connect Fund program set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our audit.

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

Based on the test work performed, our audit 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 USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

Sincerely,

DP George & Company, LLC  
Alexandria, Virginia

cc: Radha Sekar, USAC Chief Executive Officer  
Mark Sweeney, USAC Vice President, Rural Health Care 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 overall Healthcare Connect Fund (HCF) program support amounts committed and disbursed to the Beneficiary for Funding Year 2017 (audit period):

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Services – Wide Area Network (WAN)	\$ 589,468	\$ 589,468
Network Equipment – Firewalls (HCP owned)	\$ 630,459	\$ 630,459
Network Equipment – Maintenance Contract (3 year)	\$ 114,125	\$ 114,125
Network Equipment – Firewalls	\$ 71,346	\$ 71,346
<b>Total</b>	<b>\$1,405,398</b>	<b>\$1,405,398</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 two FCC Form 462 applications with two Funding Request Numbers (FRNs). DPG selected both FRNs<sup>1</sup> issued in Funding Year 2017 which represents all \$1,405,398 of the funds committed and all \$1,405,398 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary.

### BACKGROUND

The Beneficiary represents a consortium of health care providers owned and operated by Franciscan Alliance, Inc. The consortium provides healthcare services in Indiana, Illinois, and Michigan. Funding provided by the HCF program under FRN 17209491 was used to support existing point to point connections established as part of an evergreen contract. Funding provided under FRN 17260181 was used for the purchase, installation, and maintenance of firewall equipment installed at two data center locations and intended to support the bandwidth connectivity funded through the existing evergreen contract. The HCF funded connections and equipment were used to support the transfer of digital medical imaging and electronic medical records as well as the provision of telehealth applications.

### PROCEDURES

DPG performed the following procedures:

#### A. Application Process

DPG obtained an understanding of the Beneficiary's processes relating to the Rural Health Care (RHC) HCF program application process. Specifically, DPG obtained and reviewed the FCC Form(s) 460 and related attachments to determine whether the Beneficiary identified the participating HCPs in the network. DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary's FCC Form 460 application

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<sup>1</sup> The FRNs included in the scope of this audit were: FRNs 17209491 and 17260181.

process and related controls, the role of the Consortium Leader in the application process, and any outside support received from third parties with respect to the application process.

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

#### **B. Competitive Bid Process**

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

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

#### **C. Funding Request Process**

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

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

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



**D. Health Care Provider Location**

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

**E. Invoicing Process**

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

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

**F. Reporting Process**

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

**Attachment B**

**RH2019BE008**

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# Lakewood Health Systems Consortium

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Performance Audit on Compliance with the Federal Universal Service Fund Rural  
Health Care Support Mechanism Healthcare Connect Fund Program Rules  
USAC Audit No. RH2019BE008

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EXECUTIVE SUMMARY

February 8, 2022

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

Dear Ms. Delmar:

DP George & Company, LLC (DPG) audited the compliance of Lakewood Health Systems Consortium (Beneficiary), Health Care Provider Number (HCP) 44835, using regulations and orders governing the federal Universal Service Rural Health Care Support Mechanism, Healthcare Connect Fund program set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, the Federal Communications Commission (FCC) Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. DPG's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on our audit.

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

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

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

Sincerely,

*DP George & Company, LLC*

DP George & Company, LLC  
Alexandria, Virginia

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

## AUDIT RESULTS AND RECOVERY ACTION

Audit Results	Monetary Effect (A)	Overlapping Recovery <sup>1</sup> (B)	Recommended Recovery (A)-(B)
<b>Finding #1: 47 C.F.R. § 54.639(d)(1) (2016) – Beneficiary Did Not Establish Fair Share Cost Allocation for Services Requested and Delivered to Ineligible Sites.</b> The Beneficiary did not establish a fair share allocation for services requested and delivered to ineligible sites.	\$ 29,262	\$ 0	\$ 29,262
<b>Finding #2 - 47 C.F.R. § 54.645(b) (2016) – Form 463 Invoices Submitted for Uninstalled or Disconnected Services.</b> The amount reflected on service provider bills selected for sampling supported a lower amount than the amount submitted on the Form 463 invoice.	\$ 695	\$ 55	\$ 640
<b>Total</b>	<b>\$ 29,957</b>	<b>\$ 55</b>	<b>\$ 29,902</b>

## USAC MANAGEMENT RESPONSE

USAC Management concurs with the audit results.

## PURPOSE, SCOPE, BACKGROUND, AND PROCEDURES

### PURPOSE

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

### SCOPE

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

Service Type	Amount Committed	Amount Disbursed
Leased/Tariffed Services – Construction	\$ 3,770	\$ 3,770
Leased/Tariffed Services – Dark Fiber	\$ 33,193	\$ 21,353
Leased/Tariffed Services – Ethernet	\$ 27,534	\$ 15,653
Leased/Tariffed Services – Installation of Recurring Services	\$ 4,947	\$ 4,947
Leased/Tariffed Services – Internet	\$ 20,261	\$ 17,921
Leased/Tariffed Services – ISDN/PRI	\$ 9,061	\$ 9,061

<sup>1</sup> If a finding is subsequently withdrawn on appeal, any overlapping recovery for that finding will be recommended for recovery for the remaining findings.

Service Type	Amount Committed	Amount Disbursed
Network Equipment – Installation of Equipment	\$ 8,054	\$ 5,369
Network Equipment – Maintenance Contract (3 year)	\$ 16,730	\$ 11,153
Network Equipment – Network Switch (HCP owned)	\$ 183,841	\$ 122,554
<b>Total</b>	<b>\$ 307,391</b>	<b>\$ 211,781</b>

*Note:* The amounts committed and disbursed reflect funding year activity as of the date of the commencement of the audit. DPG determined that a disbursement in the amount of \$45,206 occurred after the commencement of our audit for a FY 2017 commitment amount included in the committed portion of the table above. We considered this disbursement when developing the Monetary Effect for Finding #1 of this report.

The committed total represents five FCC Form 462 applications with five Funding Request Numbers (FRNs). DPG selected four FRNs<sup>2</sup> issued in Funding Year 2017, which represents \$296,277 of the funds committed and \$200,668 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to the Funding Year 2017 applications submitted by the Beneficiary.

## BACKGROUND

The Beneficiary represents a consortium of health care providers owned and operated by Lakewood Health Systems Consortium. The consortium provides healthcare services in Minnesota. Funding provided by the HCF program under FRNs 17261431, 17261471, 17267821, and 17276981 was used to support telecommunications services and network connections for Ethernet, internet, and dark fiber services. Funding provided under FRN 17268251 was used to purchase, install, and maintain switches used by the Beneficiary to manage traffic over the portions of the network composed of dark fiber connections. The HCF funded connections and equipment were used to support the transfer of digital medical imaging and electronic medical records as well as the provision of telehealth applications.

## PROCEDURES

DPG performed the following procedures:

### A. Application Process

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

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

### B. Competitive Bid Process

DPG obtained an understanding of the Beneficiary’s competitive bidding process. Specifically, DPG conducted inquiry and interviews to confirm its understanding of the Beneficiary’s FCC Form 461

<sup>2</sup> The FRNs included in the scope of this audit were: FRNs 17261471, 17267821, 17268251, and 17276981.



preparation process, bid posting and bid receipt process, and bid review and evaluation process, including related controls.

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

### **C. Funding Request Process**

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

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

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

### **D. Health Care Provider Location**

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

**E. Invoicing Process**

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

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

**F. Reporting Process**

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

**Finding #1:** 47 C.F.R. § 54.639(d)(1) (2016) – Beneficiary Did Not Establish Fair Share Cost Allocation for Services Requested and Delivered to Ineligible Sites

CONDITION

DPG reviewed the FCC Forms 462 and associated attachments, the NCWs, and the network diagram to determine whether the Beneficiary requested and used HCF program support for eligible sites, services, and equipment for FRNs 17261471, 17267821, 17268251, and 17276981.<sup>3</sup> DPG determined for FRNs 17261471, 17267821, and 17276981 that some of the recurring and one-time connection costs funded under the FRNs were used to establish direct connections between an eligible HCP serving as the network hub and ineligible sites. No fair share allocation was applied to the cost of these connections.<sup>4</sup> DPG determined for FRN 17268251 that four of the switches purchased for the eligible HCP serving as the network hub were installed at ineligible sites. No fair share allocation was applied to the costs for the four switches or the related installation and maintenance costs.<sup>5</sup>

For FRN 17261471, FRN ID Line (ID) 6, DPG determined based on review of the NCW and the network diagram that, while the starting point for the circuit was Lakewood Health System – Staples, an eligible HCP within the network, the ending point for the circuit was Sartell Dermatology, an ineligible entity not listed on the consortium’s FCC Form 460. DPG determined, based on the network diagram and inquiry with the Beneficiary, that the funded circuit represented a direct connection between the ineligible site and the network hub, and that no other sites connected to the network through Sartell Dermatology. Thus, the cost of the circuit represents the vendor’s independent pricing for the ineligible site to connect to the network, and the full cost should have been paid for by the ineligible site.<sup>6</sup>

For FRN 17267821, FRN IDs 5 through 10, DPG determined based on review of the NCW and the network diagram that, while the starting point for the two circuits associated with these FRN IDs was Lakewood Health System – Staples, the ending points for the circuits were Lakewood Pines and Lakewood Manor, senior living facilities that were determined to be ineligible during the consortium’s FCC Form 460 submission process. DPG determined, based on the network diagram and inquiry with the Beneficiary that the two funded circuits represented direct connections between the ineligible sites and the network hub, and no other sites were connected to the network through either Lakewood Pines or Lakewood Manor. Thus, the cost of the circuits and the related installation and construction costs to install the circuits represent the independent vendor

<sup>3</sup> See 47 C.F.R. §§ 54.602(b) (2016); 54.630 (2016) (eligible recipients); 54.634 (2016) (eligible services); 54.635 (2016) (eligible equipment).

<sup>4</sup> See 47 C.F.R. § 54.639(d)(1) (2016).

<sup>5</sup> See *id.*

<sup>6</sup> See 47 C.F.R. § 54.639(d)(1)(i) (2016).

pricing for the ineligible sites to connect to the network, and the full cost should be paid for by the ineligible sites.<sup>7</sup>

For FRN 17276981, FRN IDs 1 and 2, DPG determined, based on review of the NCW and the network diagram, that, while the starting point for the circuit was Lakewood Health System – Staples, the ending point for the circuit was Medical Marketplace and Home Care Hospice, an ineligible entity not listed on the consortium’s FCC Form 460. DPG determined, based on the network diagram and inquiry with the Beneficiary that the funded circuit represented a direct connection between the ineligible site and the network hub, and no other sites connected to the network through Medical Marketplace and Home Care Hospice. Thus, the cost of the circuit and the related installation cost represents the independent vendor pricing for the ineligible site to connect to the network and the full cost should be paid for by the ineligible site.<sup>8</sup>

For FRN 17268251, FRN IDs 1 through 3, DPG determined, based on review of the network diagram and equipment inventory listings, that 4 of the 44 switches funded by the FRN were installed at ineligible entities to manage network traffic between the ineligible entities and Lakewood Health System – Staples. Two switches were installed at Sartell Dermatology, one switch was installed at Lakewood Pine, and one switch was installed at Lakewood Manor. All 44 of the purchased switches were listed on the NCW under Lakewood Health System – Staples; however, the full cost of the 4 switches for the ineligible sites and the related installation and maintenance should be paid for by the ineligible sites.<sup>9</sup>

**CAUSE**

The Beneficiary incorrectly believed that, because one end of the circuits or installed equipment connected to an eligible HCP within the network, the full costs associated with the circuit or equipment were eligible for funding under the program.

**EFFECT**

**Funds Disbursed Before Audit Commencement**

Support Type	FRN/FRN ID	Monetary Effect (A)	Overlap with Other Finding (B)	Recommended Recovery (A)-(B)
Network Switch (HCP Owned)	17268251 / ID 1	\$11,141	\$0.00	\$11,141
Dark Fiber	17267821 / ID 5 and 8	\$4,341	\$0.00	\$4,31
Internet	17261471 / ID 6 17276981 / ID 1	\$3,943	\$0.00	\$3,943
Construction	17267821 / ID 7 and 10	\$3,770	\$0.00	\$3,770
Maintenance Contract (3 Year)	17268251 / ID 3	\$1,014	\$0.00	\$1,014

<sup>7</sup> See *id.* For FRN ID 7, the Beneficiary indicated that the funded construction occurred at the eligible Lakewood Health System – Staples location; however, DPG determined that, because the overall purpose of the installed circuit was to establish a direct connection to an ineligible entity, these construction costs should also be considered as part of the vendor pricing for the ineligible site.

<sup>8</sup> See *id.*

<sup>9</sup> See 47 C.F.R. § 54.639(d)(1)(ii) (2016).

Support Type	FRN/FRN ID	Monetary Effect (A)	Overlap with Other Finding (B)	Recommended Recovery (A)-(B)
Installation of Equipment	17268251 / ID 2	\$488	\$0.00	\$488
Installation of Recurring Services	17267821 / ID 6 and 9 17276981 / ID 2	\$455	\$0.00	\$455
<b>Total</b>		<b>\$25,152</b>	<b>\$0.00</b>	<b>\$25,152</b>

#### Funds Disbursed After Audit Commencement

Support Type	FRN/FRN ID	Monetary Effect (A)	Overlap with Other Finding (B)	Recommended Recovery (A)-(B)
Network Switch (HCP Owned)	17679021 / ID 1	\$3,621	\$0.00	\$3,621
Maintenance Contract (3 Year)	17679021 / ID 3	\$330	\$0.00	\$323
Installation of Equipment	17679021/ ID 2	\$159	\$0.00	\$159
<b>Total</b>		<b>\$4,110</b>	<b>\$0.00</b>	<b>\$4,110</b>

DPG calculated the Monetary Effect for FRNs 17261471, 17267821, and 17276981 by determining the total amount invoiced on the applicable FCC Forms 463 for the corresponding FRN IDs. DPG calculated the Monetary Effect for FRN 17268251 by determining the total amount invoiced on the applicable FCC Forms 463 for the corresponding FRN IDs as of the commencement of our audit and dividing by the number of switches purchased (44) to determine the cost invoiced per switch. We then multiplied the cost invoiced per switch by the number of ineligible locations where switches were installed.

DPG determined that an additional invoice was submitted to USAC after the commencement of our audit for the switches originally purchased under FRN 17268251. Because the cost of the equipment per eligible location exceeded \$50,000 per site, the FCC Rules required that the equipment costs be billed over three years.<sup>10</sup> The first two years were billed under FRN 17268251, and the final year was billed under FRN 17679021 and invoiced after commencement of the audit. DPG followed the same Monetary Effect calculation used for FRN 17268251 above when calculating the ineligible portion of the costs invoiced for FRN 17679021.

#### RECOMMENDATION

DPG recommends USAC management seek recovery of the amounts identified in the Effect section above. DPG also recommends that the Beneficiary establish control procedures to ensure that it identifies ineligible sites and includes the required documentation with its FCC Form 462<sup>11</sup> and NCW submissions to demonstrate how each ineligible site's fair share of costs was determined for the services or equipment requested within the consortium network.

<sup>10</sup> See 47 C.F.R. § 54.638(c) (2016).

<sup>11</sup> See 47 C.F.R. §§ 54.639(d)(3); 54.643(a)(5) (2016).

## BENEFICIARY RESPONSE

Beneficiary acknowledges the finding and agrees with methodology used to determine a fair share allocation. Beneficiary will include fair share documentation with all initial FCC Form 462 filings henceforth.

### **Finding #2:** 47 C.F.R. § 54.645(b) (2016) – Form 463 Invoices Submitted for Uninstalled or Disconnected Services

#### CONDITION

DPG requested vendor billing support to substantiate a sample of FRN IDs billed on FCC Form 463 invoice numbers 1000046976 and 201710046976 for FRN 17267821. Our review of the supporting service provider bills identified that, for FRN IDs 1 and 3 (ethernet service), and 5 and 8 (dark fiber service), the Beneficiary billed the HCF program for a full month of service in October 2017 when only a prorated period of service was provided by the vendor. For FRN IDs 1 and 3, the actual service period began on 10/24/2017 instead of 10/1/2017.<sup>12</sup> For FRN IDs 5 and 8, the actual service period began on 10/9/2017 instead of 10/1/2017.<sup>13</sup>

#### CAUSE

The Beneficiary prepared the FCC Form 463 invoices based on the costs listed in the NCW and did not realize that services for the connections were not in place for the full month invoiced.

#### EFFECT

Support Type	FRN/FRN ID	Monetary Effect (A)	Overlap with Other Finding (B)	Recommended Recovery (A)-(B)
Ethernet	17267821 / ID 1 and 3	\$640	\$0	\$640
Dark Fiber	17267821 / ID 5 and 8	\$55	\$55 <sup>14</sup>	\$0
<b>Total</b>		<b>\$695</b>	<b>\$55</b>	<b>\$640</b>

DPG calculated the Monetary Effect by subtracting the prorated amount billed by the vendor which ran through the end of the billing period (October 27<sup>th</sup>) and a prorated amount for the last four days of October from the undiscounted monthly amount reflected on the Form 463. The resulting balance represents the over-billed undiscounted cost. We then multiplied the over-billed undiscounted cost by 65% to determine the over-billed support received by the Beneficiary. The table below reflects the individual calculations for each FRN ID.

<sup>12</sup> See 47 C.F.R. § 54.645(b) (2016).

<sup>13</sup> See *id.*

<sup>14</sup> \$55 of the Monetary Effect for this finding overlap with the Monetary Effect of Finding #1.

	ID 1	ID 3	ID 5	ID 8	Total
Form 463 Undiscounted Amount for October	\$260	\$1,024	\$106	\$212	\$1,602
Less Prorated Portion Billed by Service provider through 10/27/2017	\$26	\$102	\$64	\$127	\$319
Less Prorated Charges for 10/28 – 10/31 based on a 30-day month	\$35	\$136	\$14	\$28	\$213
Over-Billed Undiscounted Amount for October	\$199	\$786	\$28	\$57	\$1,070
Over-Billed Support Amount @ 65%	\$129	\$511	\$18	\$37	<b>\$695</b>

#### RECOMMENDATION

DPG recommends USAC management seek recovery of the amounts identified in the Effect section above. DPG also recommends that the Beneficiary establish control procedures to identify new circuits listed on the NCW and ensure that accurate service dates are listed on the FCC Form 463 when invoicing.

#### BENEFICIARY RESPONSE

Beneficiary acknowledges the finding. Beneficiary has since added additional review steps to final invoicing process for all new services.

**CRITERIA**

<b>Finding</b>	<b>Criteria<sup>15</sup></b>	<b>Description</b>
#1	47 C.F.R. § 54.602(b) (2016)	Eligible health care providers may request support for eligible services, equipment, and infrastructure, subject to the provisions and limitations set forth in §§ 54.600 through 54.602 and §§ 54.630 through 54.680. This support is referred to as the “Healthcare Connect Fund.”
#1	47 C.F.R. § 54.630 (2016)	<p>(a) <i>Rural health care provider site – individual and consortium.</i> Under the Healthcare Connect Fund, an eligible rural health care provider may receive universal service support by applying individually or through a consortium. For purposes of the Healthcare Connect Fund, a “consortium” is a group of two or more health care provider sites that request support through a single application. Consortia may include health care providers who are not eligible for support under the Healthcare Connect Fund, but such health care providers cannot receive support for their expenses and must participate pursuant to the cost allocation guidelines in § 54.639(d).</p> <p>(b) <i>Limitation on participation of non-rural health care provider sites in a consortium.</i> An eligible nonrural health care provider site may receive universal service support only as part of a consortium that includes more than 50 percent eligible rural health care provider sites.</p> <p>(c) <i>Limitation on large non-rural hospitals.</i> Each eligible non-rural public or non-profit hospital site with 400 or more licensed patient beds may receive no more than \$30,000 per year in Healthcare Connect Fund support for eligible recurring charges and no more than \$70,000 in Healthcare Connect Fund support every 5 years for eligible nonrecurring charges, exclusive in both cases of costs shared by the network.</p>
#1	47 C.F.R. § 54.634 (2016)	<p>(a) <i>Eligible services.</i> Subject to the provisions of sections 54.600 through 54.602 and sections 54.630 through 54.680, eligible health care providers may request support from the Healthcare Connect Fund for any advanced telecommunications or information service that enables health care providers to post their own data, interact with stored data, generate new data, or communicate, by providing connectivity over private dedicated networks or the public Internet for the provision of health information technology.</p> <p>(b) <i>Eligibility of dark fiber.</i> A consortium of eligible health care providers may receive support for “dark” fiber where the customer, not the vendor, provides the modulating electronics, subject to the following limitations:</p> <p>(1) Support for recurring charges associated with dark fiber is only available once the dark fiber is “lit” and actually being used by the health care provider. Support for non-recurring charges for dark fiber is only available for fiber lit within the same funding</p>

<sup>15</sup> The referenced criteria cite the applicable section of the FCC Rules in effect during the audit period. The Rural Health Care Support Mechanism rules were subsequently re-codified and the comparable rules section under the current Code of Federal Regulations (C.F.R.) may be different.



Finding	Criteria <sup>15</sup>	Description
		<p>year, but applicants may receive up to a one-year extension to light fiber if they provide documentation to the Administrator that construction was unavoidably delayed due to weather or other reasons.</p> <p>(2) Requests for proposals (RFPs) that solicit dark fiber solutions must also solicit proposals to provide the needed services over lit fiber over a time period comparable to the duration of the dark fiber lease or indefeasible right of use.</p> <p>(3) If an applicant intends to request support for equipment and maintenance costs associated with lighting and operating dark fiber, it must include such elements in the same RFP as the dark fiber so that the Administrator can review all costs associated with the fiber when determining whether the applicant chose the most cost-effective bid.</p> <p>(c) Dark and lit fiber maintenance costs.</p> <p>(1) Both individual and consortium applicants may receive support for recurring maintenance costs associated with leases of dark or lit fiber.</p> <p>(2) Consortium applicants may receive support for upfront payments for maintenance costs associated with leases of dark or lit fiber, subject to the limitations in § 54.638.</p> <p>(d) Reasonable and customary installation charges. Eligible health care providers may obtain support for reasonable and customary installation charges for eligible services, up to an undiscounted cost of \$5,000 per eligible site. (e) Upfront charges for vendor deployment of new or upgraded facilities.</p> <p>(1) Participants may obtain support for upfront charges for vendor deployment of new or upgraded facilities to serve eligible sites.</p> <p>(2) Support is available to extend vendor deployment of facilities up to the “demarcation point,” which is the boundary between facilities owned or controlled by the vendor, and facilities owned or controlled by the customer.</p>
#1	47 C.F.R. § 54.635 (2016)	<p>(a) Both individual and consortium applicants may receive support for network equipment necessary to make functional an eligible service that is supported under the Healthcare Connect Fund.</p> <p>(b) Consortium applicants may also receive support for network equipment necessary to manage, control, or maintain an eligible service or a dedicated health care broadband network. Support for network equipment is not available for networks that are not dedicated to health care.</p> <p>(c) Network equipment eligible for support includes the following:</p> <p>(1) Equipment that terminates a carrier’s or other provider’s transmission facility and any router/switch that is directly connected to either the facility or the terminating equipment. This includes equipment required to light dark fiber, or equipment necessary to connect dedicated health care broadband networks or individual health care providers to middle mile or backbone networks;</p>

Finding	Criteria <sup>15</sup>	Description
		<p>(2) Computers, including servers, and related hardware (e.g. printers, scanners, laptops) that are used exclusively for network management;</p> <p>(3) Software used for network management, maintenance, or other network operations, and development of software that supports network management, maintenance, and other network operations;</p> <p>(4) Costs of engineering, furnishing (i.e. as delivered from the manufacturer), and installing network equipment; and</p> <p>(5) Equipment that is a necessary part of health care provider-owned network facilities.</p> <p>(d) <i>Additional Limitations.</i> Support for network equipment is limited to equipment (i) purchased or leased by a Consortium Leader or eligible health care provider and (ii) used for health care purposes.</p>
#1	47 C.F.R. § 54.638(c) (2016)	<p>(c) The following limitations apply if a consortium makes a request for support for upfront payments that exceeds, on average, \$50,000 per eligible site in the consortium:</p> <p>(1) The support for the upfront payments must be prorated over at least three years.</p> <p>(2) The upfront payments must be part of a multi-year contract.</p>
#1	47 C.F.R. § 54.639(d)(1), (3) (2016)	<p>(1) <i>Ineligible sites.</i> Eligible health care provider sites may share expenses with ineligible sites, as long as the ineligible sites pay their fair share of the expenses. An applicant may seek support for only the portion of a shared eligible expense attributable to eligible health care provider sites. To receive support, the applicant must ensure that ineligible sites pay their fair share of the expense. The fair share is determined as follows:</p> <p>(i) If the vendor charges a separate and independent price for each site, an ineligible site must pay the full undiscounted price.</p> <p>(ii) If there is no separate and independent price for each site, the applicant must prorate the undiscounted price for the “shared” service, equipment, or facility between eligible and ineligible sites on a proportional fully distributed basis. Applicants must make this cost allocation using a method that is based on objective criteria and reasonably reflects the eligible usage of the shared service, equipment, or facility. The applicant bears the burden of demonstrating the reasonableness of the allocation method chosen.</p> <p>(3) <i>Written description.</i> Applicants must submit a written description of their allocation method(s) to the Administrator with their funding request.</p>
#1	47 C.F.R. § 54.643(a)(5) (2016)	Pursuant to § 54.639(d)(3) through (d)(4), where applicable, applicants must submit a description of how costs will be allocated for ineligible entities or components, as well as any agreements that memorialize such arrangements with ineligible entities.
#2	47 C.F.R. § 54.645(b) (2016)	Before the Administrator may process and pay an invoice, both the Consortium Leader (or health care provider, if participating individually) and the vendor must certify that they have reviewed the document and

Finding	Criteria <sup>15</sup>	Description
		that it is accurate. All invoices must be received by the Administrator within six months of the end date of the funding commitment.

**Attachment C**

**RH2021LR010**

Available For Public Use

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

***for***

***UAMS E-Link Network***

***Audit No. RH2021LR010***

***December 30, 2021***



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

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**Executive Summary**

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

Dear Ms. Delmar:

Kearney & Company, P.C. (Kearney) audited the compliance of UAMS E-Link Network (Beneficiary), Health Care Provider (HCP) Number 17206, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (C.F.R.) Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary's management. Kearney's responsibility is to make a determination regarding the Beneficiary's compliance with the FCC Rules based on the limited scope performance audit.

Kearney conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States (2018 Revision). Those standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for 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 number 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 testwork performed, our audit did not disclose any areas of non-compliance with the FCC Rules that were examined and in effect during the audit period.

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

Sincerely,

*Lindsey M. Nosari*

Lindsey Nosari  
Engagement Partner

CC: Radha Sekar, USAC Chief Executive Officer (CEO)  
Mark Sweeney, USAC Vice President, Rural Health Care Division



## **Objective**

As requested by the Universal Service Administrative Company (USAC), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the compliance of UAMS E-Link Network (UAMS) (Beneficiary), Health Care Provider (HCP) Number 17206, 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 FCC Rules). Kearney conducted this performance audit in accordance with GAGAS, issued by the Comptroller General of the United States.

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

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

Please see *Appendix A* of this report for the scope and methodology of the audit.

## **Background**

The Beneficiary is a consortium of hospitals and post-secondary educational institutions offering health care instruction that used USAC funding to help provide substantial broadband upgrades, add broadband equipment, and connectivity to institutions within Arkansas and Kansas.

## **Audit Results**

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Conclusion**

Kearney concludes that UAMS adequately complied with FCC Rules and RHC Healthcare Connect Fund (HCF) Program requirements relating to its Funding Year 2018. We based our conclusion on the evidence obtained and our evaluation of that evidence against the criteria, along with the audit results. Kearney did not note any findings nor other matters that we determined warrant the attention of USAC or the Beneficiary.

**APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT**

**Scope and Limitations**

*Exhibit 1* below summarizes the RHC HCF Program support amounts committed and disbursed to the Beneficiary for the audit period:

*Exhibit 1*

Service Type	Amount Committed	Amount Disbursed
Network Equipment	\$107,613	\$107,613
Network Management/Maintenance/Operations	\$4,043,184	\$4,043,184
<b>Total</b>	<b>\$4,150,797</b>	<b>\$4,150,797</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 six FCC Form 462 applications with six separate Funding Request Numbers (FRNs). Out of the six FRNs, two FRNs had no committed or disbursed funds for the Funding Year; therefore, these were not included in our FRN sampling process. Kearney selected two of the FRNs to be the scope of this performance audit, which represent \$3,969,914 of the funds committed and \$3,969,914 of the funds disbursed during the audit period. Because those two FRNs comprised 96% of the total committed and disbursed funds, Kearney then selected specific HCPs within those two FRNs (18403541 and 18408321) to perform the procedures enumerated below with respect to Funding Year 2018 applications submitted by the Beneficiary.

**Methodology and Work Performed**

Kearney performed the following procedures:

**A. Application Process**

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

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

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

## **B. Competitive Bid Process**

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

## **C. Eligibility**

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

## **D. Invoicing Process**

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

## **E. Reporting Process**

Kearney examined documentation to determine whether the Beneficiary timely submitted its annual reports to the RHC program and whether the reports included the required information. We examined the Sustainability Plan to determine whether it included the required content. Kearney did not examine a Network Plan, as no Network Plans were submitted due to the MSA bidding exemption. Additionally, we did not assess the

reasonableness of the Sustainability Plan or whether the Beneficiary can meet or maintain the objectives described in that plan since the FCC Rules do not define how to assess the reasonableness of the content included in the Sustainability Plan.

#### **F. HCP Location**

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

#### **Work Related to Internal Controls**

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

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

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect*	USAC Management Recovery Action**	Commitment Adjustment	Entity Disagreement
Community Health IT <b>Attachment D</b>	0	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	\$2,137,127	\$0	\$0	\$0	N
<b>Total</b>	<b>0</b>		<b>\$2,137,127</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

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

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

**Attachment D**

**RH2021LR008**

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

***for***

***Community Health IT***

***Audit No. RH2021LR008***

***February 4, 2022***



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

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**Executive Summary**

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division  
Universal Service Administrative Company  
700 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 Community Health IT (Beneficiary), Health Care Provider (HCP) Number 38493, using the regulations and orders governing the Federal Universal Service Rural Health Care (RHC) Support Mechanism, set forth in 47 Code of Federal Regulations (C.F.R.) Part 54, as well as other program requirements (collectively, the Federal Communications Commission [FCC] Rules). Compliance with the FCC Rules is the responsibility of the Beneficiary’s management. Kearney’s responsibility is to make a determination regarding the Beneficiary’s compliance with the FCC Rules based on the limited scope performance audit.

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

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

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

Sincerely,

*Lindsey M. Nosari*

Lindsey Nosari  
Engagement Partner

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

## **Objective**

As requested by the Universal Service Administrative Company (USAC), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the compliance of Community Health IT (CommHIT) (Beneficiary), Health Care Provider (HCP) Number 38493, 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 FCC Rules ). Kearney conducted this performance audit in accordance with GAGAS, issued by the Comptroller General of the United States.

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

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

Please see *Appendix A* of this report for the scope and methodology of the audit.

## **Background**

Nationwide, the Beneficiary is a consortium that helps nonprofit medical facilities, public health facilities, and post-secondary learning institutions recoup ongoing and one-time Information Technology (IT) costs. The Beneficiary helps health systems and safety net medical facilities overcome the barriers that slow Health Information Technology (HIT) adoption.

## **Audit Results**

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

## **Conclusion**

Kearney concludes that Beneficiary adequately complied with FCC Rules and RHC HCF Program requirements relating to its Funding Year 2018. We based our conclusion on the evidence obtained and our evaluation of that evidence against the criteria, along with the audit

results. Kearney did not note any findings nor other matters that we determined warrant the attention of USAC or the Beneficiary.

## **APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT**

### **Scope and Limitations**

*Exhibit 1* below summarizes the RHC HCF Program support amounts committed and disbursed to the Beneficiary for the audit period:

***Exhibit 1: Total Committed and Disbursed***

Service Type	Amount Committed (\$)	Amount Disbursed (\$)
Infrastructure/Outside Plant	4,257	4,257
Leased/Tariffed Facilities or Services	1,546,971	1,546,971
Network Equipment	612,115	530,939
Network Management/ Maintenance/Operations Costs	56,695	54,960
<b>Total</b>	<b>2,220,039</b>	<b>2,137,127</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 46 FCC Form 462 applications with 46 separate Funding Request Numbers (FRN). Kearney selected 16 FRNs to be the scope of this performance audit, which represent \$1,807,557 of the funds committed and \$1,742,039 of the funds disbursed during the audit period. Kearney performed the procedures enumerated below with respect to Funding Year 2018 applications submitted for these 16 FRNs by the Beneficiary:

- FRNs 18298461, 18372441, 18382541, 18392561, 18403731, 18404621, 18416481, 18416851, 18421171, 18427411, 18428331, 18431251, 18442801, 18444681, 18446471, 18674221.

### **Methodology and Work Performed**

Kearney performed the following procedures:

#### **A. Application Process**

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

Kearney examined documentation to determine whether the Project Coordinator obtained Letters of Agency from the Beneficiary's network of HCPs and/or the HCP's health systems authorizing the Beneficiary's lead entity and/or Project Coordinator to act on

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

## **B. Competitive Bid Process**

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

## **C. Eligibility**

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

## **D. Invoicing Process**

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

**E. Reporting Process**

Kearney examined documentation to determine whether the Beneficiary timely submitted its annual reports to the RHC program and whether the reports included the required information. We examined the Sustainability Plan and Network Plans to determine whether they included the required content. Additionally, we did not assess the reasonableness of the Sustainability Plan or whether the Beneficiary can meet or maintain the objectives described in that plan, since the FCC Rules do not define how to assess the reasonableness of the content included in the Sustainability Plan.

**F. HCP Location**

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

**Work Related to Internal Controls**

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