



Performance Audit

## Kanakanak Hospital

Funding Years 2010 and 2011 OIG  
Report No. 15-AUD-05-06

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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## EXECUTIVE SUMMARY

Performance audit of Kakanak Hospital, Dillingham, Alaska

### A. WHY WE DID THIS AUDIT

Beneficiary compliance audits are part of the Office of Inspector General's (OIG's) Universal Service Fund (USF) Oversight Team efforts to ensure beneficiary compliance with USF Rural Health Care Program (Program or RHC) requirements under 47 C.F.R. Part 54.600 to 54.625 of the Federal Communications Commission's (FCC) rules and related orders.

### B. WHAT WE FOUND

Our audit disclosed that Kakanak Hospital (Hospital or Health Care Provider (HCP)) did not comply with the FCC rules related to recordkeeping, 47 C.F.R. Sec. 54.619(a)(1). Specifically, the Beneficiary did not maintain onsite (1) Funding Commitment Decision Letters (FCDL) (#'s 119660 and 119661) related to Funding Request Numbers (FRN) #64090 and #68882 and (2) FCC Connection Certification Forms 467 related to FRN #'s 64090, 68882, and 68889.

### C. WHAT WE RECOMMENDED

We have recommended the Hospital maintain all pertinent documentation related to its involvement in the Rural Health Care program for the required timeframe, which pursuant to FCC Rule 54.619 (a)(1) is five years after the last day a particular service is delivered in a particular funding year.

### D. BENEFICIARY COMMENTS AND OUR RESPONSE

The Hospital provided written responses to our findings in which they agreed with the audit findings.

*Moss Adams LLP*

Spokane, Washington  
December 30, 2015

# I. OBJECTIVES, SCOPE, AND METHODOLOGY

## A. BACKGROUND

The Rural Health Care Program is a Universal Service Fund (USF) program providing discounts to eligible health care providers and consortia for telecommunications and broadband services.

The Beneficiary (Health Care Provider (HCP) Number 10992) is a hospital located in Dillingham, Alaska in the Bristol Bay Recording District. The Beneficiary is a 16-bed facility providing 24-hour medical, pediatric, and obstetrical care. The performance audit encompassed the Beneficiary's funding years 2010 and 2011 USF disbursements of \$1,491,416, that included various Internet services provided through 14 FRN's.

## B. PERFORMANCE AUDIT OBJECTIVES AND SCOPE

The FCC OIG contracted with Moss Adams LLP to perform a performance audit of the Beneficiary's expenditures related to funding years 2010 and 2011 disbursements of \$1,491,416.

The total disbursements were \$1,491,416 and were related to the Funding Request Numbers noted in Appendix I.

During the performance audit, we focused on the following two objectives:

1. To determine if the Beneficiary complied with all applicable rules codified in 47 C.F.R. Sec. 54.601 to 54.625 and related orders, requirements, and instructions (related orders can be on the Administrator's website at <http://www.usac.org/about/tools/fcc/>); and
2. To determine if the Beneficiary has adequate and effective controls to ensure USF funds are safeguarded and used for the purposes intended.

We conducted this performance audit in accordance with generally accepted Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis of our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our examination does not provide a legal determination of the Beneficiary's compliance with specified requirements.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

### C. PERFORMANCE AUDIT METHODOLOGY

In performing the objectives, we selected samples related to the FRNs listed in Appendix I based upon our firm's attribute sampling methodology. We tested compliance with the applicable rules codified in 47 C.F.R. Sec. 54.601 to 54.625 and related orders, requirements, and instructions. We performed testing related to record keeping, the application process, service provider selection, receipt of services, and reimbursement matters. The testing was performed by requesting supporting documentation from the Beneficiary such as invoices related to the FRNs selected for testing, policies and procedures applicable to the program, eligibility, procurement, and related FCC Forms 465, 466, and RHC Support Schedules. In addition, we interviewed several individuals at the Beneficiary who are involved with the RHC program.

## II. COMPLIANCE FINDINGS AND RECOMMENDATIONS

**Note-** All references to the CFRs throughout this report are references to the CFRs that were applicable during funding years 2010 and 2011.

### **Finding #1- Bidding Process**

#### **Condition**

The Hospital did not retain the following required FCC forms on their premises impacting the 2011 audit year:

- FCDL #119660 for FRN #64090
- FCDL #119661 for FRN #68882
- FCC Forms 467 for FRN #64090, FRN #68882, and FRN #68889

The Hospital had to request and obtain the forms from USAC during the audit engagement.

#### **Criteria**

Pursuant to Section 54.619(a)(1) of the FCC Rules, the Beneficiary must retain all documents related to the delivery of discounted telecommunications and other supported services for at least five years after the last day of the delivery of discounted services.

#### **Cause**

During the audit period, the Hospital had a different Chief Information Officer (CIO) in charge of the RHC process and did not maintain all proper documentation and forms required by the FCC.

**Effect**

There is no monetary effect of this error.

**Recommendation**

Moss Adams recommends the Hospital maintain all pertinent documentation and required, executed forms for the RHC process to comply with FCC regulations.

**Beneficiary Response**

Our current CIO instituted an organized filing system over a year ago with copies of all referenced documents. Our Procurement Officer instituted a new software program two years ago called MediTract that keeps contracts and other legal documents of this magnitude electronically. And last, Finance personnel store records of this magnitude in network drives that are regularly backed-up.

This redundancy of record storage will ensure that all pertinent documentation and required, executed forms for the RHC process are maintained on the premises for the required timeframe pursuant to BBAHC's records retention policy and FCC requirements.

**USAC Management Response**

USAC management concurs with the finding and recommendation and approves the auditee's actions to implement effective internal controls for retaining program documentation as required by FCC rules.

### III. ADEQUATE AND EFFECTIVE CONTROL RECOMMENDATIONS

See internal control recommendations related to compliance finding above.



## APPENDIX I – TOTAL DISBURSEMENTS UNDER AUDIT

FUNDING YEAR	FRN	AMOUNT DISBURSED
2010	50921	\$16,346
	50922	13,946
	50923	14,282
	51047	83,247
	51048	68,799
	51049	113,509
	51050	225,525
	51158	594
	51159	1,097
	51160	2,351
2011	63882	367,422
	64090	450,769
	68882	126,779
	68889	6,750
	<b>Total</b>	<b>\$1,491,416</b>