

# 2006 Audit Committee Meetings Minutes

---

Click on a date below to see the minutes. To see the entire year's minutes, click on the first date. Once open, search within the document for a particular word or phrase, using the 'Find' feature or Ctrl+f.

## Meeting Dates

January 19, 2006 - Part I .....	2
January 23, 2006 - Part II .....	4
March 1, 2006 .....	8
April 20, 2006 – Part I.....	10
April 24, 2006 – Part II.....	13
July 24, 2006 .....	18
October 23, 2006 .....	23

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**January 19, 2006 - Part I**

**MINUTES**

Part I of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC offices in Washington, DC on Thursday, January 19, 2006. Mr. Eichler, Chair of the Committee, called the meeting to order at 1:33 p.m. Eastern Time. Ms. Goode, Administrative Assistant for USAC, called the roll. Four of the five members of the Committee were present, representing a quorum:

Eichler, Ed – Chair – *by telephone*  
Hess, Kevin – *by telephone*  
Hughes, Alison – *by telephone*  
Sanford, Jo Anne – *by telephone*

Committee members not present:

Anne Campbell

Other Board members and Officers of the Corporation present:

Talbott, Dr. Brian  
Barash, Scott – Acting CEO  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel  
Erwin, WB – VP, Finance  
Flannery, Irene – Sr. VP of Programs  
Holcomb, James – VP, Information Systems  
Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

**NAME COMPANY**

Ashe-Donnem, Caroline USAC  
Bayona, Janet USAC  
Bellavia, Leslie USAC – *by telephone*  
Braxton, Kianna USAC  
Delmar, Teleshia USAC  
Goode, Vernell USAC  
Ho, Amanda USAC  
Lamoureux, Renee USAC  
Lenhardt, Christopher USAC  
Murphy, Kristin USAC – *by telephone*  
Okudaira, Nobuko USAC  
Parker, Troy USAC

## **ACTION ITEMS:**

**a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Audit Committee meetings of Thursday, October 20, 2005, and Monday, October 24, 2005.

**a3. Action on Three USAC Internal Audit Division Contributor Revenue Audits Performed By USAC Internal Audit Division – Confidential and Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that the Contributor Revenue Audit Reports be discussed in *Executive Session* because discussion of the reports relates to confidential and proprietary carrier information. On a motion duly made and seconded, the Committee adopted the following resolution: **RESOLVED**, that the USAC Audit Committee determines that discussion of the three Contributor Revenue Audit Reports labeled CR2004CP019, CR2005CP004, and CR2005CP005 shall be conducted in Executive Session.

At 1:35 p.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

## **EXECUTIVE SESSION:**

**a3. Action on Three USAC Internal Audit Division Contributor Revenue Audits Performed By USAC Internal Audit Division – Confidential and Proprietary.** Ms. Ashe-Donnem, Senior Auditor, Internal Audit Division, introduced the Contributor Revenue Audit Reports labeled CR2004CP019, CR2005CP004, and CR2005CP005 to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the USAC Internal Audit Division (IAD) Contributor Revenue Audit Reports labeled CR2004CP019, CR2005CP004, and CR2005CP005 be deemed final.

At 1:46 p.m., the Committee adjourned from *Executive Session* and reconvened in open session to report the discussion and action of the Committee during *Executive Session*. There being no further business, Mr. Eichler adjourned the meeting at 1:47 p.m.

David Capozzi,  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**January 23, 2006 - Part II**

**MINUTES**

Part II of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC, on Monday, January 23, 2006. Mr. Eichler, Chair of the Committee, called the meeting to order at 3:35 p.m. Eastern Time. Ms. Goode, Administrative Assistant for USAC, called the roll. All five members of the Committee were present, representing a quorum:

Eichler, Ed – Chair  
Campbell, Anne  
Hess, Kevin  
Hughes, Alison  
Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Barash, Scott – Acting CEO  
Capozzi, David – Acting General Counsel  
Duff, Bridget  
Erwin, WB – VP, Finance  
Flannery, Irene – Senior VP, Programs  
Holcomb, Jamie, VP, Information Technology  
Majcher, Karen – VP, High Cost and Low Income  
Scott, Wayne – VP, Internal Audit Division  
Talbott, Brian – USAC Board Chairman

Others present for the meeting:

**NAME COMPANY**

Bellavia, Leslie USAC  
Braxton, Kianna USAC  
Carroll, Kristy USAC  
Davis, Craig USAC  
Delmar, Teleshia USAC  
Goode, Vernell USAC  
Ho, Amanda USAC  
Lamoureux, Renee USAC  
Lenhardt, Christopher USAC  
Morrow, Henry FCC

Murphy, Kristin USAC  
Okudaira, Nobuko USAC  
Parker, Troy USAC  
Rodriguez, Jose FCC

#### **ACTION ITEMS:**

**a2. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports– Confidential and Proprietary - *Executive Session Option*.** Mr. Lenhardt, Senior Auditor, Internal Audit Division, introduced the Schools and Libraries Support Mechanism Beneficiary audit reports to the committee.

On a motion duly made and seconded, the Committee adopted the following resolution: **RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the two USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2005BE003 and SL2005BE090 be deemed final.

**a3. Action on One Schools and Libraries Support Mechanism Operational Audit Report – Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that the Schools and Libraries Support Mechanism Audit Report be discussed in *Executive Session* because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

On a motion duly made and seconded, the Committee adopted the following resolution: **RESOLVED**, that the USAC Audit Committee determines that discussion of the School and Libraries Support Mechanism Operational Audit Report labeled SL2005OP092 shall be conducted in Executive Session.

See *Executive Session* for a report of the discussion and action take on this item.

**a4. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Review and Investigative Reports – Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that the reports be discussed in *Executive Session* because discussion of the reports relates to investigatory matters, or pending or contemplated enforcement action, and public disclosure of the matters discussed therein could compromise law enforcement efforts.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that discussion of the two Internal Audit Division Schools and Libraries Support Mechanism limited review and investigative audit reports labeled SL2005IV088 and SL2005LR91 shall be conducted in *Executive Session*. See *Executive Session* for a report of the discussion and action taken on this item.

**a7. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Okudaira, Assistant Manager, Internal Audit Division, introduced the High Cost Support Mechanism Beneficiary audit report labeled HC2005BE006 to the committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE006 be deemed final.

**a8. Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Ms. Okudaira, Assistant Manager for the Internal Audit Division introduced the Low Income Support Mechanism Beneficiary audit report to the committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report labeled LI2005BE009 be deemed final.

At 3:43 p.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

#### **EXECUTIVE SESSION:**

**a3. Action on One Schools and Libraries Support Mechanism Operational Audit Report.** Ms. Murphy, Senior Auditor, Internal Audit Division, introduced the Schools and Libraries Support Mechanism audit report to the committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools and Libraries Committee and directs that the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Audit Report labeled SL2005OP092 be deemed final.

**a4. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Review and Investigative Reports.** Mr. Lenhardt, Senior Auditor, Internal Audit Division introduced the two Schools and Libraries Support Mechanism Limited Review and Investigative audit reports to the committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee, and directs that the

USAC Internal Audit Division Schools and Libraries Support Mechanism Reports labeled SL2005IV088 and SL2005LR91 be deemed final.

At 3:51 p.m., the Committee adjourned from *Executive Session* and reconvened in open session to report the discussion and action of the Board during *Executive Session*.

There being no further business, Mr. Eichler adjourned the meeting at 3:52 p.m.

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**March 1, 2006**

**MINUTES**

A meeting of the Audit Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Wednesday, March 1, 2006. Mr. Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 5:15 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Four of the five members were present, representing a quorum:

Banks, Jonathan – *by telephone*  
Campbell, Anne – *by telephone*  
Hess, Kevin – *by telephone*  
Williams, Jason – *by telephone*

Committee members not present:  
Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Baker, Dave – *by telephone*  
Barash, Scott – Acting CEO  
Berlyn, Debra – *by telephone*  
Bryant, Anne – *by telephone*  
Jackson, Jimmy – *by telephone*  
Jortner, Wayne – *by telephone*  
Joseph, Kevin – *by telephone*  
Kragel, Dr. Peter – *by telephone*  
Lee, Jonathan – *by telephone*  
Sanders, Dr. Jay – *by telephone*  
Talbot, Dr. Brian – *by telephone*

Others present for the meeting:

**NAME COMPANY**

Beaver, Tracey USAC  
Lamoureux, Renee USAC



## **ACTION ITEMS:**

**a1. Annual Election of Committee Chair and Vice Chair.** Mr. Barash introduced this item to the Committee reporting that the Nominating Committee met on February 24, 2006, and at that meeting approved resolutions recommending that, among other things, the Board elect committee chairs and vice chairs. Mr. Barash also noted that on March 1, 2006, immediately prior to the Committee meeting, the full Board of Directors elected the Chair and Vice Chair subject to ratification of the Committee, which is being sought in the proposed resolution.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee fully ratifies the actions of the USAC Board of Directors taken in a meeting on March 1, 2006 in electing **Jonathan Banks** as Chair and **Jo Anne Sanford** as Vice Chair of the USAC Audit Committee, each for a term that began immediately following the conclusion of the meeting and ending when such person's successor has been elected or when such person resigns from the Audit Committee or the Board, is removed by resolution of the Board or such person's Board term expires.

There being no further business, Mr. Barash adjourned the meeting at 5:16 p.m.

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**April 20, 2006 – Part I**

**MINUTES**

Part I of the quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC, on Thursday, April 20, 2006. Mr. Jonathan Banks, Chair of the Committee, called the meeting to order at 1:30 p.m. Eastern Time. Ms. Vernell Goode, Administrative Assistant, called the roll. Four of the five members of the Committee were present, representing a quorum:

Banks, Jonathan – Chair  
Hess, Kevin – *by telephone*  
Williams, Jason – *by telephone*  
Campbell, Anne – *by telephone*

Committee Member not present: Sanford, Jo Anne – Vice Chair

Other Board members and Officers of the Corporation present:

Talbott, Dr. Brian  
Campbell, Dr. Anne  
Barash, D. Scott – Acting Chief Executive Officer  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel  
Erwin, WB – VP of Finance  
Flannery, Irene – Senior VP, External Relations  
Majcher, Karen – VP, High Cost & Low Income Division  
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

**NAME COMPANY**

Bellavia, Leslie USAC  
Braxton, Kianna USAC  
Delmar, Teleshia USAC  
Goode, Vernell USAC  
Ho, Amanda USAC  
Lamoureux, Renee USAC  
Lenhardt, Christopher USAC  
Mensah, Sophia USAC  
Morrow, Henry FCC – *by telephone*  
Parker, Troy USAC  
Whitaker, Michelle USAC

## **ACTION ITEMS:**

**a1. Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the USAC Audit Committee meetings of Thursday, January 19, 2006, Monday, January 23, 2006, and Wednesday, March 1, 2006.

**a2. Consideration of Revised Audit Committee Charter.** Mr. Scott introduced this item to the Committee outlining the modifications being proposed to the Internal Audit Division Charter by USAC staff.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee, having reviewed the current Audit Committee Charter and the modifications presented by the USAC Internal Audit Division, recommends the USAC Board of Directors approve the revised Audit Committee Charter.

**a3. Review of Changes to USAC's Auditing and Accounting Principles and Practices.** Mr. Scott introduced this item and reported on the improvements made to USAC's internal control environment by implementing suggested recommendations resulting from the 2004 annual audit conducted by Deloitte & Touche LLP.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee, having reviewed the suggested internal control improvements suggested by Deloitte & Touché LLP (D&T) and USAC staff responses thereto hereby approves the changes as recommended by D&T.

**a4. Review of the Integrity of USAC's Financial Reporting Process.** Mr. Scott introduced this item to the Committee providing an overview of the assessments made by USAC's Internal Audit Division regarding the review of USAC's financial reporting processes and related controls.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the Internal Audit Division's review and assessment of USAC's financial reporting processes.

**a5. Review of USAC's Processes to Assure Compliance with Applicable Laws and Regulations.** Mr. Scott introduced this item to the Committee by providing an overview of the controls in place to assure USAC's compliance with applicable laws and regulations. Mr. Banks requested there be a regular agenda item to discuss risk assessment.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the USAC Internal Audit Division's assessment that the Company's processes are in compliance with applicable laws and regulations.

**INFORMATION ITEMS:**

**i1. 2006 Audit Committee Meeting Planner.** Mr. Scott introduced this item to the Committee by providing an overview of the topics associated with each of the quarterly Audit Committee meetings during 2006. Mr. Scott stated that as part of the regular quarterly Audit Committee meeting in July 2006 there will be an executive session to discuss with the Committee the USAC 2005 annual audit.

**i2. Status Report on Ongoing USAC Audits.** Ms. Delmar, Manager of Internal Audit, briefed the Committee on the status of various ongoing and planned audits of USAC and the universal service support mechanisms.

**i3. Status Report on Actions Taken on Final Audits.** Ms. Delmar directed the Committee's attention to the overall summary of the follow up actions taken on finalized audits of USAC and the universal service support mechanisms. Mr. Banks requested a summary of audit findings with a column showing the category for each finding be provided for each quarterly Audit Committee meeting as part of an information item

On a motion duly made and seconded, the Committee adjourned the meeting at 2:23 p.m. Eastern Time.

---

David Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**April 24, 2006 – Part II**

**MINUTES**

Part II of the quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, DC on Monday, April 24, 2006. Mr. Jonathan Banks, Chair of the Committee, called the meeting to order at 3:25 p.m. Eastern Time. Ms. Goode, Administrative Assistant, called the roll. All five members of the Committee were present, representing a quorum:

Banks, Jonathan - Chair  
Campbell, Anne  
Hess, Kevin  
Sanford, Jo Anne – Vice Chair  
Williams, Jason

Other Board members and Officers of the Corporation present:

Kragel, Dr. Peter  
Talbott, Dr. Brian  
Barash, Scott – Acting Chief Executive Officer  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel  
Erwin, WB – VP of Finance  
Flannery, Irene – Sr. VP, External Relations  
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

**NAME COMPANY**

Bellavia, Leslie USAC  
Braxton, Kianna USAC  
Carroll, Kristy USAC  
Chou, Liz USAC  
Delmar, Teleshia USAC  
Goode, Vernell USAC  
Ho, Amanda USAC  
Lamoureux, Renee USAC  
Lenhardt, Christopher USAC  
Mensah, Sophia USAC  
Morrow, Henry FCC  
Okudaira, Nobuko USAC  
Siekierka Tim FCC

Whitaker, Michelle USAC

**ACTION ITEMS:**

**a1. Approval of Revised 2005/2006 USAC Internal Audit Plan. – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a *discussion of internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that discussion of specific details of the revised 2005/2006 USAC Internal Audit Plan shall be conducted in *Executive Session*.

**a2. Action on One Schools and Libraries Support Mechanism Operational Audit Report – Confidential and Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that the audit report be discussed in *Executive Session* because discussion of the report relates to specific internal controls and/or confidential company data that would constitute a *discussion of internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that discussion of the USAC Internal Audit Division School and Libraries Support Mechanism Operational Audit report labeled SL2005OP099 shall be conducted in *Executive Session*.

**a3. Action on Seven USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Beneficiary Review and Investigative Reports – Confidential and Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that the reports be discussed in *Executive Session* because discussion of the reports relates to *investigatory matters, or pending or contemplated enforcement action*, and public disclosure of the matters discussed therein could compromise law enforcement efforts.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Schools & Libraries Committee determines that discussion of the Schools and Libraries Universal Service Support Mechanism beneficiary reports labeled SL2005LR089, SL2005LR093 through SL2005LR097, and SL2005IV98 shall be conducted in *Executive Session*.

**a4. Reports and Action on Three Schools and Libraries Support Mechanism Beneficiary Audits Performed by the Department of the Interior Office of Inspector General.** Mr. Scott introduced the Schools and Libraries Support Mechanism Beneficiary audit reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the Department of Interior, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2003BE139, SL2003BE140, and SL2003BE141 be deemed final.

**a5. Action on Ten KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports.** Ms. Bellavia, Manager, Internal Audit, introduced the Schools and Libraries Support Mechanism Beneficiary audit reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the 10 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled SL2004BE035, SL2005BE017, SL2005BE029, SL2005BE033, SL2005BE038, SL2005BE045, SL2005BE071, SL2005BE072, SL2005BE081, and SL2005BE085 be deemed final.

**a6. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Okudaira, Assistant Manager, Internal Audit, introduced the High Cost Support Mechanism Beneficiary audit report to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED** that the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE007 be deemed final.

**a7. Action on Two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Okudaira, Assistant Manager, Internal Audit, introduced the Low Income Support Mechanism Beneficiary audit reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE010 and LI2005BE011 be deemed final.

**a8. Miscellaneous.**

• Solicit ideas for the July 2006 Committee agenda. Mr. Banks reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

**i1. Report on the Audit of the FCC's Financial Statements for the Year Ending September 30, 2005.** Mr. Scott provided an overview of the Audit of the FCC's Financial Statements for the Year Ending September 30, 2005.

**i2. Annual Executive Session with USAC's Vice President of the Internal Audit Division – Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, USAC management recommends that this matter be discussed in *Executive Session pursuant to the guidelines in the approved Audit Committee Charter*.

At 3:38 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

**EXECUTIVE SESSION:**

**a1. Approval of Revised 2005/2006 USAC Internal Audit Plan.** Mr. Scott introduced this item to the Committee and presented recent developments that warrant an adjustment to the USAC Internal Audit Plan.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee approves the revised 2005/2006 USAC Internal Audit Plan as presented by the USAC Internal Audit Division staff.

**a2. Action on One Schools and Libraries Support Mechanism Operational Audit.**

Ms. Bellavia, Manager, Internal Audit, introduced the Schools and Libraries Support Mechanism Operational audit report to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools and Libraries Committee and directs that the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Audit Report labeled SL2005OP099 be deemed final.



**a3. Action on Seven USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Beneficiary Review and Investigative Reports.** Mr. Lenhardt, Senior Auditor, Internal Audit, introduced the seven School and Libraries Support Mechanism Limited Beneficiary Review and Investigative Reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee, and directs that the USAC Internal Audit Division Schools and Libraries Support Mechanism reports labeled SL2005LR089, SL2005LR093 through SL2005LR097 and SL2005IV98 be deemed final.

At 3:48 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move out of Executive Session. At 3:48 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move into *Executive Session*, during which only members of the Board were asked to attend.

**EXECUTIVE SESSION:**

**i2. Annual Executive Session with USAC's Vice President of the Internal Audit Division.**

At 4:06 p.m. Eastern Time, the Committee voted to move out of Executive Session. The Committee reconvened in *Open Session*, at which time Mr. Banks reported that the Committee considered and took action on items **a1**, **a2** and **a3** in Executive Session and discussed item **i2** in Executive Session.

On a motion duly made and seconded, the Committee adjourned at 4:10 p.m. Eastern Time.

David Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**July 24, 2006**

**MINUTES**

The quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C., on Monday, July 24, 2006. Mr. Jonathan Banks, Chair of the Committee, called the meeting to order at 3:31 p.m. Eastern Time. Ms. Marci Panton, Administrative Assistant, called the roll. All members of the Committee were present, representing a quorum:

Banks, Jonathan – Chair  
Sanford, Jo Anne – Vice Chair  
Campbell, Anne – *by telephone*  
Williams, Jason  
Hess, Kevin

Other Board Members and Officers of the Corporation present:

Duff, Bridget – Board member  
Jackson, Jimmy – Board member – *by telephone*  
Peter Kragel, M.D. – Board member  
Joel Lubin – Board member – *by telephone*  
Barash, D. Scott – Acting Chief Executive Officer  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel  
Erwin, WB – VP of Finance  
Majcher, Karen – VP, High Cost & Low Income Division  
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

**NAME COMPANY**

Bayona, Janet USAC  
Bellavia, Leslie USAC  
Braxton, Kianna USAC  
Briddell, Christopher USAC  
Delmar, Teleshia USAC  
Desrochen, Michael USAC  
Frederick, Wendy USAC  
Goff, Liz USAC  
Goode, Vernell USAC  
Grant, Colleen USAC  
Ho, Amanda USAC  
Lenhardt, Christopher USAC  
LeNard, David USAC

Lipka, Jodi FCC  
Mensah, Sophia USAC  
Mitchell, Jeff USAC  
Morrow, Henry FCC  
Murphy, Kristin USAC  
Panton, Marci USAC  
Parker, Troy USAC  
Whitaker, Michelle USAC

#### **ACTION ITEMS:**

**a1. Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the USAC Audit Committee meetings of Thursday, April 20, 2006 and Monday, April 24, 2006.

**a2. Authorization to File Draft 2006 Agreed-Upon-Procedures Review Plan.** Mr. Scott introduced this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee authorizes USAC staff to file with the FCC the proposed USAC 2006 Agreed-Upon Procedures Review Plan.

**a3. Acceptance of 2005 USAC Financial Audit and Agreed Upon Procedures Review Plan.** Mr. Scott introduced this item to the Committee. Macon Ware, Partner, Deloitte & Touche, provided a summary of the results of the completed audit.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolutions:

**RESOLVED**, that the USAC Audit Committee, having reviewed the USAC 2005 financial audit report as submitted by Deloitte & Touche LLP, hereby deems the report final; and

**RESOLVED FURTHER**, that the USAC Audit Committee, having reviewed the USAC 2005 agreed upon procedures review report as submitted by Deloitte & Touche LLP, hereby deems such report final; and

**RESOLVED FURTHER**, that the USAC Audit Committee authorizes Deloitte & Touche LLP to file the final USAC 2005 financial audit report and agreed upon procedures review report with the FCC.

**a4. Selection of Audit Firm to Perform Part 54 Annual Audit – Executive Session Option.** Mr. Scott introduced this item to the Committee. The Committee then determined to discuss this item in executive session because this matter relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise

USAC's negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that discussion of the selection of an audit firm to perform USAC's annual Part 54 Audit shall be conducted in *Executive Session*.

**a5. Miscellaneous.**

- Solicit ideas for the October 2006 Committee agenda. Mr. Banks reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

**i1. Status Report on the USAC-FCC Office of Inspector General Audit Program.** Mr. Scott provided an overview and answered questions from Committee members concerning the status of this program, including the efforts to procure audit services from multiple firms for the large number of program beneficiary and USF contributor audits the FCC Office of Inspector General is requiring.

**i2. Annual Report on Legal Matters that Could Significantly Affect USAC's Operations.** Mr. Capozzi reported that there are no significant legal matters that could affect the operations of the company requiring specific and separate attention by the Committee at this time.

**i3. Summary of Audit Reports Finalized at Support Mechanism Quarterly Committee meetings.** Mr. Scott presented this item to the Committee and noted that one report presented to the Schools & Libraries Committee was tabled to a subsequent meeting of that committee while Schools & Libraries Division staff research questions raised by the Schools & Libraries Committee.

**i4. Action on One USAC Internal Audit Divisions Contributor Revenue Audit – Confidential & Proprietary – Confidential & Proprietary – Executive Session Recommended.** Mr. Capozzi recommended that this matter be discussed in *Executive Session* because discussion of the report *relates to specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential, and to the extent that any such information is discussed, confidential treatment is required. On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Executive Committee determines that discussion of the contributor audit referenced above shall be conducted in *Executive Session*.

**i5. Audit Committee Executive Session with USAC’s Independent Auditing Firm – Deloitte & Touche – Confidential & Proprietary – *Executive Session Recommended*.** Mr. Capozzi recommended that this matter be discussed in *Executive Session* pursuant to Section II.C.2 of the Audit Committee Charter, which states:

The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of Internal Audit, and representatives of each independent auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that the discussion with USAC’s independent auditing firm shall be conducted in

*Executive Session*.

**i6. Distribution and Review of Materials Regarding Audit Committee Best Practices.** Mr. Scott presented this item to the Committee and distributed materials relating to audit committee best practices.

At 4:18 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above.

**EXECUTIVE SESSION:**

**a4. Selection of Audit Firm to Perform Part 54 Annual Audit.** Mr. Scott provided an overview of this item to the Committee, including an assessment of the work performed by USAC’s existing outside audit firm–Deloitte & Touche LLP, and the demands on the time and resources of FCC Office of Inspector General and USAC staff as a result of the audits associated with the Improper Payments Information Act.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee recommends that the USAC Board of Directors authorize USAC staff to engage Deloitte & Touche LLP to conduct the 2006 USAC financial audit and agreed-upon procedures review required pursuant to 47 C.F.R. Part 54.

**i4 Action on One USAC Internal Audit Division Contributor Revenue Audit.**

Mr. Scott provided an overview of the contributor audit conducted and answered questions from the Committee members. At 4:36 p.m. Eastern Time, the Committee determined to continue in *Executive Session* with only members of the Committee, other Board members in attendance, Macon Ware, Partner, Deloitte & Touche LLP (D&T) and other D&T staff members present to discuss item i5 (below).

**i5. Audit Committee Executive Session with USAC's Independent Auditing Firm – Deloitte & Touche.** Mr. Scott introduced this item to the Committee At 5:26 p.m. Eastern Time, the Committee adjourned from *Executive Session* and reconvened in *Open Session* at which time Mr. Banks reported that the Committee took action on item a4 and discussed items i4 and i5 in *Executive Session*. On a motion duly made and seconded, the Committee adjourned the meeting at 5:27 p.m. Eastern Time.

/s/

David A. Capozzi  
Assistant Secretary  
October 23, 2006

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**October 23, 2006**

**MINUTES**

The quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC's offices in Washington, D.C., on Monday, October 23, 2006. Mr. Jonathan Banks, Chair of the Committee, called the meeting to order at 3:33 p.m. Eastern Time. All members of the Committee were present, representing a quorum:

Banks, Jonathan – Chair	Sanford, Jo Anne – Vice Chair
Campbell, Anne	Williams, Jason – <i>by telephone</i>
Hess, Kevin	

Other Board Members and Officers of the Corporation present:

Talbott, Dr. Brian – Board member  
Barash, D. Scott – Acting Chief Executive Officer  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel  
Erwin, WB – VP of Finance  
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

<b>NAME</b>	<b>COMPANY</b>
Ahn, Shane	USAC
Bayona, Janet	USAC
Beard, Jay	USAC
Braxton, Kianna	USAC
Briddell, Christopher	USAC
Carroll, Kristy	USAC
Davis, Craig	USAC
Desrocher, Michael	USAC
Goode, Vernell	USAC
Grant, Colleen	USAC
Ho, Amanda	USAC
Mensah, Sophia	USAC
Mi, Christy	USAC
Mitchell, Jeff	USAC

Morrow, Henry	FCC
Murphy, Kristin	USAC
Nuzzo, Patsy	USAC
Panton, Marci	USAC

Rovetto, Ed	USAC
Skalski, Randall	FCC
Whitaker, Michelle	USAC

**ACTION ITEMS:**

**a1. Approval of Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the USAC Audit Committee meeting of Monday, July 20, 2006.

**a2. Annual Acceptance of the Assessment by the USAC Internal Audit Division of the Independence and Financial Literacy of the USAC Audit Committee Members.** Mr. Scott introduced this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the assessment made by the USAC Internal Audit Division and agrees that the Audit Committee is adequately staffed with independent members and has a sufficient level of financial expertise.

**a3. Annual Review of the Internal Audit Charter; the Organizational Structure, Budget and Activities of the Internal Audit Division; and Significant Changes to the Internal Audit Plan.** Mr. Scott introduced this item to the Committee.

On a motion duly made and seconded and after discussion, including a discussion of scope, resources and planned expenditures associated with the USAC-FCC Office of Inspector General Audit Program, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee, having reviewed the Internal Audit Charter, hereby accepts the recommendation of USAC management that no changes be made to the Internal Audit Charter.

**a4. Annual Review of the Effectiveness of the Company's Process For Assessing Risks or Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures – Executive Session Option.** Mr. Scott introduced this item to the Committee.



On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the Internal Audit Division's assessment of the effectiveness of the Company's process for assessing risks or exposures, and the steps management has taken to minimize such risks and exposures.

**a5. Annual Review of the Adequacy of USAC's System of Internal Controls.** Mr. Scott introduced this item to the Committee. Mr. Barash mentioned that USAC management had recently reviewed with FCC staff the internal controls USAC applies to each of the universal service support mechanisms and the USF contribution process.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the review of the adequacy of USAC's system of internal controls performed by the USAC Internal Audit Division.

**a6. Action on One USAC Operational Audit Report.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended this audit report be discussed in *Executive Session* because the report *relates to specific internal controls, and/or confidential company data* that constitutes a discussion of internal rules and procedures concerning the administration of the company where discussion of the matter in open session would result in disclosure of confidential techniques, procedures and information that would compromise company operations.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee determines that discussion of the Internal Audit Division Travel and Expense Operational Audit report labeled US2006OP001 shall be conducted in *Executive Session*.

**a7.**

**Miscellaneous.**

- Solicit ideas for the January 2007 Committee agenda. Mr. Banks reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

**i1. Status Report on the USAC-FCC Office of Inspector General Audit Program.** Mr. Jeff Mitchell, Director of USAC Outsourced Audit Services, provided a report and answered questions from Committee members concerning the status of this program. In his presentation, Mr. Mitchell mentioned that management would be able to provide a more comprehensive

overview on the status of the effort and projected costs when the Committee meets on January 22, 2007.

**i2. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Committee.

**i3. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee.

**i4. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee in which he discussed recoveries related to the audit report labeled: SL2004BE035.

At 4:26 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary item noted above.

**EXECUTIVE SESSION:**

**a6. Action on One USAC Operational Audit Report.** Mr. Scott introduced this item to the Committee and provided a summary of the audit results.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the Internal Audit Division USAC Travel and Expense Operational Audit Report labeled US2006OP001 be deemed final.

At 4:34 p.m. Eastern Time, the Committee adjourned from *Executive Session* and reconvened in *Open Session* at which time Mr. Banks reported that the Committee took action on item a6 in *Executive Session*. On a motion duly made and seconded, the Committee adjourned the meeting at 4:35 p.m. Eastern Time.

---

David A. Capozzi  
Assistant Secretary