

2008 Audit Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

January 22, 2008

MINUTES

The quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, January 22, 2008. Mr. Jason Williams, Committee Chair, called the meeting to order at 3:00 p.m. Eastern Time. Mr. Williams requested that Dr. Talbott Chair the meeting on his behalf. Four of five members of the Committee were present, representing a quorum:

Anderson, D. Michael
Campbell, Anne

Talbott, Dr, Brian
Williams, Jason – Chair – *by telephone*

Mr. Williams left the meeting at 3:29 and did not vote on items a3 and a4 nor did he participate in the discussion of items i2, i3, and i4.

Members of the Committee not present:
McClure, David – Vice Chair

Other Board Members and Officers of the corporation present:

Barash, Scott – Acting Chief Executive Officer
Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W.B. – Vice President, Finance, and Assistant Treasurer
Holcombe, Jamie – Vice President, Information Systems
Majcher, Karen – Vice President, High Cost and Low Income Division
Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Anderson, Latoya	USAC
Barnes, James	USAC
Bayona, Janet	USAC
Beard, Jay	USAC

Bhavsar, Tushar	USAC
Bilodeau, Amanda	USAC
Briddell, Chris	USAC
Brooks, Whitney	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Desrocher, Michael	USAC
Gerensky-Greene, Mitko	USAC
Goode, Vernell	USAC
Grant, Colleen	USAC
Hope, Francine	PricewaterhouseCoopers
Hughes, Jeff	USAC
Hultquist, Mary	USAC
Iversen, Eric	USAC
LeNard, Dave	USAC
Lenhardt, Christopher	USAC
Machcinski, Thaddeus	FCC
Mitchell, Jeffrey	USAC
Nuzzo, Patsy	USAC
Phillips, Don	PricewaterhouseCoopers
Rodriquez, Jose	FCC
Ruffley, Brandon	USAC
Samuel, Denise	USAC
Starks, Eric	USAC
Tawes, Pauline	USAC
Yee, Kim	FCC

ACTION ITEMS:

Approval of Audit Committee Meeting Minutes of October 22, 2007. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of October 22, 2007.

Recommendation for Annual Election of Committee Chair and Vice Chair. Dr. Talbott introduced this item to the Committee. Dr. Talbott commended Mr. Williams and Mr. McClure for their service during 2007 as Committee Chair and Vice Chair, respectively. Ms Campbell nominated Mr. Williams and Mr. McClure to again serve during 2008 as Committee Chair and Vice Chair.

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 elect Jason Williams as Chair and David McClure as Vice Chair of the USAC Audit Committee for a term that begins immediately following the conclusion of the January 23, 2008 Board of Directors meeting (whether by adjournment, postponement or recess) and ends when a successor to the Chair and/or Vice Chair has been elected or when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

Action on One Schools and Libraries Division Operational Follow-Up Audit Report. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 Schools and Libraries Support Mechanism operational follow-up audit report labeled SL2007FL003 shall be conducted in *Executive Session*.

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 that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 accounts payable operational audit report labeled US2007OP002 shall be conducted in *Executive Session*.

a5. Miscellaneous. Solicit ideas for the April 2008 Committee Agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. Williams, Mr. McClure or Mr. Scott between quarterly meetings.

INFORMATION ITEMS:

i1. Status Report on FCC Office of Inspector General (OIG) USF Audit Program. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration* as well as *investigatory records*, and also may relate to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the USAC Audit Committee determines that discussion of the status report on FCC Office of Inspector General USF audit program shall be conducted in *Executive Session*.

i2. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings. Mr. Scott presented this item to the Committee, noting that 68 reports were presented to the Executive Committee and the programmatic committees since the October 2007 quarterly meetings. Mr. Scott also stated that the remaining contributor revenue reports are being reviewed to quantify the amounts (if any) to be recovered prior to presentation to the Executive Committee.

i3. Report on the Audit of the FCC's Financial Statements for the Year Ending September 30, 2007. Mr. Scott presented this item to the Committee. The report included the FCC financial statements through September 20, 2007. Mr. Scott noted that the FCC received an unqualified or "clean" opinion.

i4. Introduction to USAC's New Independent Auditing Firm. Mr. Scott introduced Mr. Don Phillips, Partner, and Ms. Francine Hope, Engagement Manager, of PricewaterhouseCoopers(PwC), the auditing firm selected to perform USAC's annual audit and agreed-upon procedures review. Mr. Phillips reported that work on the annual audit, for the USAC financial statements for year ending December 31, 2007 was underway and draft reports should be expected in April. Ms. Hope noted that the review of the agreed-upon procedures review was also underway and weekly status meetings are being conducted with USAC management and the FCC Office of Inspector General (OIG). At 3:22 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:

a3. Action on One Schools and Libraries Division Operational Follow-Up Audit Report. Mr. Chris Lendhardt, Senior Auditor, 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, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism operational follow-up audit report labeled SL2007FL003, together with management's responses thereto, accepts the recommendation of the USAC Schools & Libraries Committee and USAC management and hereby deems such report final.

a4. Action on One USAC Operational Audit Report. Mr. Chris Briddell 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, having reviewed the USAC Internal Audit Division accounts payable audit report labeled US2007OP002, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems such report final.

i1. Status Report on FCC OIG USF Audit Program. Mr. Scott presented this item to the Committee.

At 3:40 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time, Dr. Talbott reported that the Committee discussed and took action on items a3 and a4 and discussed item i1 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 3:42 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

April 28, 2008

MINUTES

The quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, April 28, 2008. Mr. Jason Williams, Committee Chair, called the meeting to order at 3:00 p.m. Eastern Time. As he was attending the meeting by teleconference, Mr. Williams requested that Dr. Talbott chair the meeting on his behalf. Four of five members of the Committee were present, representing a quorum:

Anderson, D. Michael
Campbell, Anne

Talbott, Dr, Brian
Williams, Jason – Chair – *by telephone*

Mr. McClure joined the call by teleconference 3:02 p.m. Eastern Time. He did not vote on item a1 below.

Other Board of Directors (Board) members and officers of the corporation present:

Barash, Scott – Acting Chief Executive Officer
Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W.B. – Vice President of Finance, and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems
Scott, Wayne – Vice President of Internal Audit
Tate, Joycelyn – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Bellavia, Leslie	USAC
Bhavsar, Tushar	USAC
Brooks, Whitney	USAC
Delmar, Teleshia	USAC
Felton, Sharonda	USAC
Goode, Vernell	USAC
Grant, Colleen	USAC
Hultquist, Mary	USAC

Iversen, Eric
Lenhardt, Christopher

USAC
USAC

ACTION ITEMS:

Approval of Audit Committee Meeting Minutes of January 22, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of January 22, 2008.

Review of Changes to USAC's Auditing and Accounting Principles and Practices. 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, having reviewed the suggested internal control improvements suggested by Deloitte & Touche LLP (D&T) and USAC management responses thereto hereby accepts the recommendation of USAC management and approves the changes as recommended by D&T as supplemented by USAC management responses.

Review of the Integrity of USAC's Financial Reporting Process. Mr. Scott introduced this item to the Committee noting that the report provides an overview of the processes for daily and monthly transactions required to produce financial reports. After review, it was determined that there was adequate segregation of duties and sufficient asset safeguards in place.

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 review and assessment of USAC's financial reporting processes.

Review of USAC's Processes to Assure Compliance with Applicable Laws and Regulations. At Mr. Scott's request, this item was postponed to the July 28, 2008 Audit Committee meeting.

a5. Action on One Schools and Libraries Division Operational Follow-Up Audit Report. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 Schools and Libraries Support Mechanism Operational Follow-Up Audit Report labeled SL2007FL004 shall be conducted in *Executive Session*.

a6. Miscellaneous. Solicit ideas for the July 2008 Committee Agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. Williams, Mr. McClure or Mr. Scott between quarterly meetings.

INFORMATION ITEMS:

i1. Status Report on the FCC Office of Inspector General (OIG) USF Audit Program. Mr. Scott presented this item to the Committee, noting that as of April 18, 91% of the audits have been announced, 69% have had entrance conferences conducted, and 32% have field work that is complete. Through March, the audits have cost \$30 million. Mr. Scott anticipated an additional \$5 million above the original projected costs of the audit program this year will be required as a result of the incremental training conducted to augment the initial number of auditors and the complexity of the High Cost audits. As the audits continue other factors may affect total program cost positively or negatively. Mr. Scott reported that the audit firms have committed to completing their assessments and having reporting data available by July 31, and the quality assurance firms are working to make sure this objective is met. Mr. Scott noted that there is a penalty for the audit firms if the due dates are not met. Mr. Scott also reported that USAC is meeting with the OIG bi-weekly to discuss audit program status. Ms. Campbell noted that the overall budget for the FCC OIG USF audit program is currently at \$83 million and we should not lose sight of the additional \$21 million transferred from the USF to the FCC that is also to be used for oversight purposes.

i2. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings. Mr. Scott noted that the report included the Contributor audits deemed final by the Executive Committee in April as well as audits approved at the quarterly Committee meetings today.

i3. Semiannual Status Report on Ongoing USAC Audits. Mr. Scott indicated the pre-test work for the FCC audit of the USF for the federal government's fiscal year ending September 30, 2008 will begin in May. He also noted that PricewaterhouseCoopers, USAC's outside auditor, filed its draft report of USAC's 2007 financial statements to the FCC on April 13 and anticipates presenting the results at the quarterly Committee meeting on July 28, 2008. Additionally, USAC's Internal Audit Division is conducting an audit to review and test access controls for USAC computer systems and an audit of the High Cost Support Mechanism payment controls process to ensure that the controls in place are adequate and operating as intended.

i4. Semiannual Status Report on Actions Taken on Final USAC Audits. Mr. Scott stated that a number of items are awaiting FCC guidance and once a decision is rendered, USAC management will report back to the Committee. Ms. Campbell noted that some of the audits requiring FCC guidance were audits completed in 2004.

i5. Annual Executive Session with USAC's Vice President of Internal Audit. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

On a motion duly made and seconded, the Committee adopted the following resolution:
RESOLVED, that the USAC Audit Committee determines that the annual meeting with USAC's Vice President of Internal Audit required by the USAC Audit Committee Charter shall be conducted in *Executive Session* with only Audit Committee members and the Vice President of Internal Audit present, and, at the discretion of the Audit Committee, other members of USAC management and USAC's outside auditing firms may also be present.

At 3:29 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

a5. Action on One Schools and Libraries Division Operational Follow-Up Audit Report. Ms. Denise Samuel, Senior Auditor, 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, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Follow-up Audit Report labeled SL2007FL004, together with management's responses thereto, accepts the recommendations of the USAC Schools & Libraries Committee and USAC management and directs that such report be deemed final.

At 3:33 p.m. Eastern Time the Committee continued in *Executive Session* with only members of the Board and Mr. Scott in attendance to discuss item i5.

i5. Annual Executive Session with USAC's Vice President of Internal Audit. Mr. Scott discussed this item with the Committee.

At 3:45 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time, Dr. Talbott reported that the Committee took action on item a5 and discussed item i5 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 3:45 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

July 28, 2008

MINUTES

The quarterly meeting of the Audit Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 28, 2008. Mr. Jason Williams, Committee Chair, called the meeting to order at 3:53 p.m. Eastern Time. Four of five members of the Committee were present, representing a quorum:

Anderson, Mike McClure, Dave – Vice Chair
Campbell, Anne Williams, Jason – Chair

Members of the Committee not present:
Talbott, Dr. Brian

Other Board of Directors (Board) members and officers of the corporation present:
Barash, Scott – Acting Chief Executive Officer
Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Bill – Vice President, Rural Health Care Division
Erwin, W.B. – Vice President of Finance and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems
Knowles, Rex – Member of the Board
Majcher, Karen – Vice President, High Cost & Low Income Low Income Division
Scott, Wayne – Vice President of Internal Audit
Tate, Joycelyn – Member of the Board

Others present for the meeting:

NAME COMPANY

Amalfitano, Vince FCC – *by telephone*
Beard, Jay USAC
Bhavsar, Tushar USAC
Brooks, Whitney USAC
Delmar, Teleshia USAC
Desrocher, Mike USAC
Epemolu, Shola USAC
Erath, Mark PwC
George, Mubo USAC

Goode, Vernell USAC
Hope, Francine PwC
Hubbard, Susanne PwC
Mitchell, Jeff USAC
Nuzzo, Patsy USAC
Philips, Don PwC
Samarla, Anitha USAC
Yee, Kim FCC

ACTION ITEMS:

a1. Approval of Audit Committee Meeting Minutes of April 28, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of April 28, 2008.

a2. Acceptance of USAC 2007 Financial Audit and Agreed Upon Procedures

Review. Mr. Scott introduced this item to the Committee, noting that USAC received a clean audit opinion from PricewaterhouseCoopers (PwC) for the financial audit. In addition, the Agreed-Upon Procedures (AUP) review identified no major issues. In response to Ms. Campbell's question concerning the lack of disaster recovery testing for two consecutive years, Mr. Scott noted that the test was run after the audit was complete.

Also in attendance was Mr. Don Philips, a PwC partner, who presented the firm's report on the USAC annual financial audit and AUP review.

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 2007 Financial Audit Report as submitted by PricewaterhouseCoopers LLP, hereby deems the report final; and **RESOLVED FURTHER**, that the USAC Audit Committee, having reviewed the USAC 2007 Agreed-Upon Procedures Review report as submitted by PricewaterhouseCoopers LLP, hereby deems such report final; and

RESOLVED FURTHER, that the USAC Audit Committee recommends that PricewaterhouseCoopers LLP file the final USAC 2007 Financial Audit Report and Agreed-Upon Procedures Review report with the FCC.

a3. Action on One USAC Internal Audit Division High Cost Support Mechanism

Operational Audit Report. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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 High Cost Support Mechanism Operational Audit Report labeled HC2007OP001 shall be conducted in *Executive Session*.

a4. Review of USAC's Processes to Assure Compliance with Applicable Laws and Regulations. Mr. Scott introduced this item to the Committee, noting that this item had been postponed from the April 2008 Audit Committee meeting. Mr. Scott's presentation identified one addition to the review to include the Memorandum of Understanding (MOU) between the FCC and USAC.

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

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

a5. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Audit. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Audit Committee determines that consideration of the exercise of the contract renewal option with PricewaterhouseCoopers LLP to perform the USAC annual financial audit, agreed-upon procedures review and internal controls review shall be conducted in *Executive Session*.

a6. Miscellaneous. Solicit ideas for the October 2008 Committee Agenda. Mr. Williams reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. Williams, Mr. McClure or Mr. Scott between quarterly meetings.

INFORMATION ITEMS:

ii. Status Report on the FCC Office of Inspector General (OIG) USF Audit Program. Mr. Scott presented this item to the Committee, noting that field work is complete for 277 of the 390 High Cost Program beneficiary audits and first draft reports had been received on 83 of the audits; fieldwork is complete for 256 of the 260 Schools and Libraries Program beneficiary audits and 148 first draft reports have been received. Mr. Scott reported that 98% of the Schools and Libraries assessment data was currently available and he anticipates that 100% of the data will be available by the July 31 deadline; and 70% of the High Cost audit data is currently available. Mr. Scott noted that the majority of the delays on the High Cost audits were due to CPNI issues.

Mr. Anderson commented that the environment surrounding these audits appeared to be a “guilty until proven innocent.” Mr. Williams added that the Inspector General’s mid-year report noted that only \$70,000 had been recovered from the previous audit program. He further commented that the design of this audit program came from the FCC OIG. Mr. Scott noted that USAC engaged in numerous discussions with the FCC OIG regarding the program design, the size of the audit program (650 audits), the shortened time frame allotted by the FCC, and the requirement of client attestation audits. On November 3, 2007, however, USAC was provided with a list of names to be audited and the July 31 deadline.

i2. Annual Report on Legal Claims That Could Significantly Affect USAC’s Operations.

Mr. Capozzi noted that there were currently no such claims.

i3. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.

Mr. Scott indicated that the issue paper provide a summary of the last of the Round I FCC OIG USF audit program reports, including the contributor audits deemed final by the Executive Committee.

i4. Audit Committee Executive Session with USAC’s Independent Auditing Firm – PricewaterhouseCoopers.

In accordance with the approved criteria and procedures for conducting USAC Board of Directors and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* pursuant to Section II.C.2 of the Audit Committee Charter (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*.

At 4:50 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

a3. Action on One Schools and Libraries Division Operational Follow-Up Audit Report.

Ms. Teleshia Delmar, Senior Manager of Internal Audit, presented 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, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Operational Audit Report labeled HC2007OP001, together with management’s responses thereto, accepts the recommendation of the USAC’s High Cost & Low Income Committee and USAC management and hereby directs that such report be deemed final.

a5. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Audit. Mr. Scott presented 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 recommends that the USAC Board of Directors authorize management to exercise the first of three one-year, priced renewal options with PricewaterhouseCoopers LLP to conduct the 2008 USAC financial audit, agreed-upon procedures review and internal controls review required pursuant to 47 C.F.R. Part 54 and Federal Communications Commission direction.

At 5:10 p.m. Eastern Time the Committee continued in *Executive Session* with only members of the Committee and Mr. Scott in attendance to discuss item i4.

i4. Annual Executive Session with USAC's Vice President of Internal Audit. Mr. Scott discussed this item with the Committee.

At 5:20 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time, Mr. Williams reported that the Committee took action on items a3 and a5 above and discussed item i4 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 5:22 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

November 20, 2008

MINUTES

A meeting of the Audit Committee (Committee) of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Thursday, November 20, 2008. Mr. Jason Williams, Committee Chair, called the meeting to order at 10:02 a.m. Eastern Time. Four of five Committee members were present representing a quorum:

Anderson, Mike – *by telephone* Talbott, Dr. Brian – *by telephone*
Campbell, Anne – *by telephone* Williams, Jason – Chair – *by telephone*

Committee members not present:
McClure, David

Officers of the corporation present:
Barash, Scott – Acting CEO
Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W.B. – Vice President of Finance and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME COMPANY

Erath, Mark PricewaterhouseCoopers
Nuzzo, Patsy USAC
Phillips, Don PricewaterhouseCoopers

ACTION ITEMS:

ACTION ITEMS:

i1. Status of 2008 Part 54 Annual Audit and Internal Controls Review Planned to be Conducted by PricewaterhouseCooper LLP. Mr. Williams introduced this item to the Committee.

In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration* and is subject to the *attorney-client privilege*.

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

RESOLVED, that the USAC Audit Committee determines that discussion of the contract renewal option with PricewaterhouseCoopers LLP to perform the USAC annual financial audit, agreed-upon procedures review and full internal controls audit shall be conducted in **Executive Session**.

At 10:04 a.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:

i1. Status of 2008 Part 54 Annual Audit and Internal Controls Review Planned to be Conducted by PricewaterhouseCooper LLP. Mr. Barash presented this item to the Committee.

At 10:42 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Mr. Williams reported that in *Executive Session* the Committee discussed item i1 above.

On a motion duly made and seconded, the Committee adjourned at 10:42 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary