

# 2010 Audit Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**January 25, 2010**

**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, January 25, 2010. At the request of Mr. David McClure, Committee Chair, the meeting was Chaired by Mr. Mike Anderson. The meeting was called to order at 3:05 p.m. Eastern Time, with a quorum of all four Committee members present (there is one vacancy):

Anderson, D. Michael  
Campbell, Anne

McClure, David – Chair – *by telephone*  
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  
Erwin, W.B. – Vice President of Finance and Assistant Treasurer  
Feiss, Geoff – Member of the Board  
Holcombe, Jamie – Vice President of Information Technology  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

**NAME**

Amalfitano, Vince  
Beaver, Tracey  
Bellavia, Leslie  
Bhavsar, Tushar  
Delmar, Teleshia  
Goode, Vernell  
Green, Trish  
Hope, Francine  
Hopper, Melissa  
Hubbard, Suzanne

**COMPANY**

FCC – *by telephone*  
USAC  
USAC  
USAC  
USAC  
USAC  
FCC – *by telephone*  
PricewaterhouseCoopers LLP  
USAC  
PricewaterhouseCoopers LLP

Iversen, Eric	USAC
Lenhardt Chris	USAC
Lowery, Craig	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC

### **ACTION ITEMS:**

**Approval of Audit Committee Meeting Minutes of October 26, 2009.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of October 26, 2009.

**Recommendation for Annual Election of Committee Chair and Vice Chair.** Mr. Barash noted that the FCC Chairman has not yet selected nominees for the six open USAC Board of Directors (Board) seats, and, based on management's recommendation the Committee should consider retaining Mr. McClure as Committee Chair. Mr. Barash also noted that Mr. Knowles's resignation from the Board had opened the Committee Vice Chair seat and management is recommending that a Committee member be selected to fill this seat. Ms. Campbell nominated Mr. Anderson as 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 D. Michael Anderson as Vice Chair of the USAC Audit Committee for a term that begins immediately upon the adoption of this resolution by the USAC Board of Directors and ends when a successor to the Vice Chair has been elected, when the Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Vice Chair's Board term expires.

**Action on Two USAC Internal Audit Division Information Technology Operational Audit Reports.** 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 Information Technology Operational Audit Reports labeled US2008OP002 and US2009OP002 shall be conducted in *Executive Session*.

**a4. Action on One Internal Audit Division USAC Finance Division Operational Interim 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 Form 499 Processing Interim Follow-Up Audit Report labeled US2009OP003 shall be conducted in *Executive Session*.

**a5. Miscellaneous.** Solicit ideas for the April 2010 Committee Agenda. Mr. Anderson reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. McClure, Mr. Anderson, Mr. Barash or Mr. Scott between quarterly meetings.

#### **INFORMATION ITEMS:**

**i1. FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Committee noting that work on the remaining Round 2 audits that were delayed in starting at the request of the FCC Office of Inspector General (OIG) is complete, and the audits will be presented to the High Cost & Low Income (HCLI) Committee in February 2010. Mr. Scott also stated that follow-up work is being completed, where necessary, on Round 2 audits and the first seven reports will be brought to the HCLI Committee on Monday at its regular quarterly meeting, and the remaining eight reports will be presented to the Committee in February. Mr. Scott noted that the results of the follow-up work indicate that the original improper payment amount of \$19 million identified by the FCC OIG has been reduced to \$700,000. Finally, Mr. Scott noted that significant progress has been made in presenting Round 3 audit results to the committees, and, by the end of February 2010, all but 97 of the original 323 High Cost Program beneficiary audits will have been reviewed by the HCLI Committee, and all but 92 of the original 345 Schools and Libraries Program beneficiary audits will have been reviewed by the Schools & Libraries Committee.

**i2. Update on USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Improper Payments Information Act (IPIA) Assessment Program.** Mr. Scott presented this item to the Committee.

**i3. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Committee, noting while waiting for approval from the FCC to start these programs, USAC staff continues to work with the FCC Offices of the Managing Director and Inspector General on finalizing details for the new IPIA assessment program and BCAP.

**i4. Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2009.** Mr. Scott presented this item to the Committee.

**i5. Review of USAC Annual Audit Workplan with USAC's Independent Audit Firm – PricewaterhouseCoopers.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended discussion of the work plan be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data constitutes 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 work plan for the 2009 annual financial audit and agreed-upon procedures review with representatives of the independent auditing firm retained by USAC–PricewaterhouseCoopers LLP–shall be conducted in *Executive Session*.

At 3:26 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 Two USAC Internal Audit Division Information Technology Operational Audit Reports.** 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, having reviewed the USAC Internal Audit Division Information Technology Operational Audit Reports labeled US2008OP002 and US2009OP002, together with management’s responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

**a4. Action on One Internal Audit Division USAC Finance Division Operational Interim Follow-Up Audit Report.** Ms. Leslie Bellavia 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 Form 499 Processing Interim Follow-Up Audit Report labeled US2009OP003, together with management’s responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

**i5. Review of USAC Annual Audit Workplan with USAC’s Independent Audit Firm – PricewaterhouseCoopers.** Ms. Suzanne Hubbard of PwC presented this item to the Committee. At 4:01 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. Anderson reported that the Committee in *Executive Session* took action on items a3 and a4 above and discussed item i5 above. On a motion duly made and seconded, the Committee adjourned at 4:24 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**April 26, 2010**

**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 26, 2010. Mr. David McClure, Committee Chair, called the meeting to order at 3:06 p.m. Eastern Time, with a quorum of all four Committee members present (there is one vacancy):

Anderson, D. Michael  
Campbell, Anne

McClure, David – Chair  
Talbott, Dr. Brian

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

Abshire, Dr. Sheryl – Member of the Board  
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  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Caruso, Michael	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Goode, Vernell	USAC
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Payne, Patti	USAC
Rodriguez, Jose	FCC

## **ACTION ITEMS:**

**Approval of Audit Committee Meeting Minutes of January 25, 2010.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of January 25, 2010.

**Review of USAC's Processes to Assure Compliance with Applicable Laws and Regulations.** 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 accepts the USAC Internal Audit Division's assessment that USAC's processes are in compliance with applicable laws and regulations.

**Review of the Integrity of USAC's Financial Reporting Process.** 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 review and assessment of USAC's financial reporting processes.

**a4. Recommendation for Annual Election of Committee Chair and Vice Chair.** Mr. McClure introduced this item to the Committee. Ms. Campbell, seconded by Dr. Talbott, nominated Mr. McClure to serve as Committee Chair and Mr. Anderson to serve as Committee Vice Chair. After discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee recommends that the USAC Board of Directors elect **David McClure** as Chair and **D. Michael Anderson** as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, 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.

**a5. Miscellaneous.** Solicit ideas for the July 2010 Committee Agenda. Mr. McClure reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. McClure, Mr. Anderson, Mr. Barash or Mr. Scott between quarterly meetings.

## **INFORMATION ITEMS:**

**i1. FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Committee.

**i2. Update on USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance Program.** Mr. Scott presented this item to the Committee.

**i3. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Committee.

**i4. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee.

**i5. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.

**i6. 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.

**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.

**i7. Review of Changes to USAC's Auditing and Accounting Principles and Practices.** Mr. Scott presented this item to the Committee.

At 3:42 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session*, with only members of the Committee present for the purpose of discussing the confidential and proprietary item noted above.

**EXECUTIVE SESSION:**

**i6. Annual Executive Session with USAC's Vice President of Internal Audit.** The Committee met with Mr. Scott to discuss this item.

At 4:07 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. McClure reported that the Committee in *Executive Session* discussed item i6 above. On a motion duly made and seconded, the Committee adjourned at 4:08 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**July 26, 2010**

**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 26, 2010. Mr. David McClure, Committee Chair, called the meeting to order at 3:04 p.m. Eastern Time, with a quorum of all four Committee members present (there is one vacancy):

Anderson, D. Michael – Vice Chair      McClure, David – Chair  
Campbell, Anne                              Talbott, Dr. Brian

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

Abshire, Dr. Sheryl – Member of the Board  
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  
Ridley, Carolyn – Member of the Board  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<b>NAME</b>	<b>COMPANY</b>
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Gallant, Pamela	USAC
Goode, Vernell	USAC
Green, Trish – <i>by telephone</i>	FCC
Hope, Francine	PwC
Hopper, Melissa	USAC
Hubbard, Suzanne	PwC
Hughet, Pamela	USAC
Nuzzo, Patsy	USAC

## **ACTION ITEMS:**

**a1. Approval of Audit Committee Meeting Minutes of April 26, 2010.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of April 26, 2010.

**a2. Action on One USAC Internal Audit Division Information Technology Operational Audit Report.** In accordance with the approved criteria and procedures for conducting USAC Board of Directors (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 consideration of the USAC Internal Audit Division Information Technology Operational Audit Report labeled US2009OP004 shall be conducted in *Executive Session*.

**a3. Action on One USAC Internal Audit Division 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 Whistleblower Process Operational Audit Report labeled US2009OP001 shall be conducted in *Executive Session*.

**a4. Acceptance of USAC 2009 Annual Financial Audit and Agreed-Upon Procedures Review.** Ms. Hope and Ms. Hubbard of PricewaterhouseCoopers LLP 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 2009 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 2009 Agreed-Upon Procedures Review Report as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

The Committee requested that a further discussion on this matter be held in executive session. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that such further discussion relates to USAC's *specific internal controls and/or confidential company data* and should be held in *Executive Session*.

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

**RESOLVED**, that the USAC Audit Committee determines that continued consideration of the acceptance of USAC 2009 Annual Financial Audit and Agreed-Upon Procedures Review shall be conducted in *Executive Session*.

**a5. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Financial Audit and Agreed-Upon Procedures Review.** In accordance with the approved criteria and procedures for conducting 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 exercising the third and final priced renewal option under a competitively bid contract awarded to PricewaterhouseCoopers LLP (PwC) to perform USAC's annual financial audit and Agreed-Upon Procedures (AUP) review shall be conducted in *Executive Session*.

**a6. Miscellaneous.** Solicit ideas for the October 2010 Committee Agenda. Mr. McClure reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. McClure, Mr. Anderson, Mr. Barash or Mr. Scott between quarterly meetings.

#### **INFORMATION ITEMS:**

**i1. FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Committee.

**i2. USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance (PQA) Program Update.** Mr. Scott presented this item to the Committee, noting that in July 2010 USAC received approval to award a contract to a vendor to provide support services for the PQA Program, and USAC is continuing to work with FCC staff to obtain approval to initiate procurement of audit services for BCAP.

**i3. Annual Report on Legal Claims That Could Significantly Affect USAC's Operations.** Mr. Capozzi presented this item to the Committee, noting that presently there are no known legal claims that have been made against USAC that could significantly affect USAC's operations.

**i4. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Committee.

**i5. 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 (Board) 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 4:06 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. The Board then recessed until 4:11 p.m. Eastern Time, at which time it reconvened in *Executive Session*.

#### **EXECUTIVE SESSION:**

**a2. Action on One USAC Internal Audit Division Information Technology Operational Audit Report.** 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, having reviewed the USAC Internal Audit Division Information Technology Operational Audit Report labeled US2009OP004, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

**a3. Action on One USAC Internal Audit Division USAC Operational Audit Report.** Ms. Delmar 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 Whistleblower Process Operational Audit Report labeled US2009OP001, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

**a5. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Financial Audit and Agreed-Upon Procedures Review.**

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 recommendation of USAC management, hereby recommends that the Board authorize management, to exercise the third and final priced renewal option for PricewaterhouseCoopers LLP to perform USAC's annual financial audit and Agreed-Upon Procedures review, as required by 47 C.F.R. § 54.717, for the total not-to-exceed price of \$1,272,720, plus expenses incurred by PwC.

At 4:50 p.m. Eastern Time, the Committee continued discussing matters related to item a4 with only the Committee, Mr. Barash, and Mr. Belden present. At 5:03 p.m. Eastern Time, the Committee discussed item i5 with only Committee members and representatives of PricewaterhouseCoopers LLP present.

**i5. Audit Committee Executive Session with USAC's Independent Auditing Firm – PricewaterhouseCoopers.** The Committee discussed this item with representatives of PricewaterhouseCoopers LLP

At 5:14 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. McClure reported that the Committee in *Executive Session* took action on items a2, a3, a5 and discussed items a4 and i5 above. On a motion duly made and seconded, the Committee adjourned at 5:15 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**October 25, 2010**

**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, October 25, 2010. Mr. David McClure, Committee Chair, called the meeting to order at 3:10 p.m. Eastern Time, with a quorum three of the four Committee members present (there is one vacancy):

Campbell, Anne  
McClure, David – Chair

Talbott, Dr. Brian

Members of the Committee not present:  
Anderson, D. Michael – Vice Chair

Other Board of Directors (Board) members and officers of the corporation present:  
Abshire, Dr. Sheryl – Member of the Board  
Barash, Scott – Acting Chief Executive Officer  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Case, David. – Vice President of Finance  
Holcombe, Jamie – Vice President of Information Systems  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<b>NAME</b>	<b>COMPANY</b>
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Nuzzo, Patsy	USAC
Smith, Chris	PwC

**ACTION ITEMS:**

**a1. Approval of Audit Committee Meeting Minutes of July 26, 2010.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of July 26, 2010.

**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 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 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 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 current Internal Audit Charter, as presented by USAC Internal Audit Division staff, reaffirms its approval of the October 26, 2009 Internal Audit Charter.

**a4. Annual Review of the Effectiveness of the Company's Process For Assessing Significant Risks and Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures.** 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 accepts the USAC Internal Audit Division's review of the effectiveness of the Company's process for assessing significant risks and 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 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 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 Internal Audit Division Information Technology Division Operational Audit Follow-Up 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 reports relate 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 Access Controls Follow-Up Audit Report labeled US2010FL001 shall be conducted in *Executive Session*.

**a7. Miscellaneous.** Solicit ideas for the January 2011 Committee Agenda. Mr. McClure reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. McClure, Mr. Anderson, Mr. Barash or Mr. Scott between quarterly meetings.

#### **INFORMATION ITEMS:**

**i1. FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Committee.

**i2. USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance (PQA) Program Update.** Mr. Scott presented this item to the Committee, noting that PQA was implemented in August, and USAC has been pleased with results to date with most of the sample period 1 cases closed and sample periods 2 and 3 reviews in progress. Mr. Scott also noted that USAC is continuing to work with FCC staff to obtain approval to initiate procurement of audit services for BCAP.

**i3. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Committee.

**i4. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee.

**i5. Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.

At 4:06 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 item noted above. The Committee then recessed until 4:11 p.m. Eastern Time, at which time it reconvened in *Executive Session*.

#### **EXECUTIVE SESSION:**

**a6. Action on One USAC Internal Audit Division Information Technology Division Operational Audit Follow-Up Report.** 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, having reviewed the USAC Internal Audit Division Access Controls Follow-Up Audit Report labeled US2010FL001, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.



At 3:53 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. McClure reported that the Committee in *Executive Session* took action on item a6 above. On a motion duly made and seconded, the Committee adjourned at 3:54 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary