

# 2011 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 24, 2011 .....	2
April 26, 2011 .....	7
July 25, 2011 .....	11
October 24, 2011 .....	15

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**January 24, 2011**

**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 24, 2011. Mr. David McClure, Committee Chair, called the meeting to order at 3:03 p.m. Eastern Time, with a quorum all four Committee members present (there is one vacancy):

Anderson, D. Michael – Vice Chair – <i>by telephone</i>	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  
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer  
Feiss, Geoff – Member of the Board  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince – <i>by telephone</i>	FCC
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Bilodeau, Amanda	USAC
Delmar, Teleshia	USAC
Eng, Rachael	PwC
Felton, Sharonda	USAC
Goode, Vernell	USAC
Hope, Francine	PwC
Hubbard, Suzanne	PwC
Hughes, Jeff	USAC
Hughet, Pamela	USAC
Hultquist, Mary	USAC

<u>NAME</u>	<u>COMPANY</u>
Lee, Jay	USAC
Nuzzo, Patsy	USAC
Reynolds, Daniel	USAC
Smith, Chris	USAC
Wu, Bonnie	USAC

**ACTION ITEMS:**

- a1. Approval of Audit Committee Meeting Minutes of October 25, 2010.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of October 25, 2010.
- a2. Recommendation for Annual Election of Committee Chair and Vice Chair.** Ms. Campbell nominated Mr. McClure to serve as Committee Chair and Mr. Anderson to serve as Committee 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 **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.

- a3. Review of Audit Committee Charter.** 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 Audit Committee Charter as presented by USAC Internal Audit Division staff, agrees that revisions are not required.

- a4. Consideration of the 2011/2012 USAC Internal Audit Plan.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of the Plan and the Resource Allocation Plan contained in the attachments to the issue paper 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 2011/2012 USAC Internal Audit Plan shall be conducted in *Executive Session*.

- a5. **Action on One USAC Internal Audit Division USAC Finance Division 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 Billing Process Operational Audit Report labeled US2009OP005 shall be conducted in *Executive Session*.

- a6. **Action on One USAC Internal Audit Division USAC 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 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 Security Awareness and Training Follow-Up Audit Report labeled US2010FL003 shall be conducted in *Executive Session*.

- a7. **Miscellaneous.**  
**a7-1. Solicit Ideas for the April 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.  
**a7-2. Board Materials.** Mr. Barash requested the Committee provide feedback regarding the materials provided to the Board and committees.

#### **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. **Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2010.** Mr. Scott presented this item to the Committee.
- i5. **Internal Audit Division Report on the 2009/2010 Internal Audit Plan.** Mr. Scott presented this item to the Committee.
- i6. **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 this matter 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 2010 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 3:50 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:**

- i6. **Review of USAC Annual Audit Workplan with USAC's Independent Audit Firm – PricewaterhouseCoopers.** Mr. Scott and Ms. Hubbard and Ms. Waters of PricewaterhouseCoopers presented this item to the Committee.
- a4. **Consideration of the 2011/2012 USAC 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 approves the 2011/2012 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

- a5. Action on One USAC Internal Audit Division USAC Finance Division Operational Audit Report.** Ms. Bellavia 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 Billing Process Operational Audit Report labeled US2009OP005, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

- 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 Security Awareness and Training Follow-Up Audit Report labeled US2010FL003, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

At 4:21 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 a4, a5 and a6 and discussed item i6 above. On a motion duly made and seconded, the Committee adjourned at 4:23 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

April 26, 2011

**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, April 26, 2011. At the request of Mr. David McClure, Committee Chair, Mr. D. Michael Anderson, Committee Vice Chair, chaired the meeting. Mr. Anderson called the meeting to order at 3:34 p.m. Eastern Time, with a quorum all four Committee members present (there is one vacancy):

Anderson, D. Michael – Vice Chair  
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  
Case, David – Vice President of Finance, Chief Financial Officer 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
Becker, Ellen – <i>by telephone</i>	FCC
Bellavia, Leslie	USAC
Berkland, Kristin	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Goode, Vernell	USAC
Hughes, Pamela	USAC
Hultquist, Mary	USAC
Nuzzo, Patsy	USAC
Reynolds, Daniel	USAC
Rodriguez, Jose	FCC
Skadin, Andy	FCC

NAME  
Smith, Chris

COMPANY  
USAC

**ACTION ITEMS:**

**a2. Approval of Audit Committee Meeting Minutes of January 24, 2011.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of January 24, 2011.

**a2. 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.

**a3. Review of the Integrity of USAC's Financial Reporting Process.** 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 Internal Audit Division's review and assessment of USAC's financial reporting processes.

**a4. Action on One USAC Internal Audit Division USAC Information Technology Division 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 discussion of this report be conducted 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 USAC Information Technology Division Operational Audit Report labeled US2010OP002 shall be conducted in *Executive Session*.

**a5. Consideration of Internal Audit Division Expansion in Support of the USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program.** 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* as well as *investigatory records*, and may relate to *pre-decisional matters pending before the FCC*.

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 expansion to support BCAP shall be conducted in *Executive Session*.

- a6. **Miscellaneous. Solicit Ideas for the July 2011 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. **USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program and Payment Quality Assurance Program Update.** Mr. Scott presented this item to the Committee.
- i2. **Quarterly Summary of Audit Reports Finalized at Board and 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.
- i5. **Review of Changes to USAC's Auditing and Accounting Principles and Practices.** 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.

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 3:57 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:**

- a4. Action on One USAC Internal Audit Division USAC Information Technology Division Operational Audit Report.** Ms. Mary Hultquist, Senior Manager of Outsourced Audit Services, 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 USAC Information Technology Division Operational Audit Report labeled US2010OP002, accepts the recommendation of the USAC Executive Committee and USAC management and hereby deems the report final.

- a5. Consideration of Internal Audit Division Expansion in Support of the USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program.** 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 USAC management's recommendation, recommends that the USAC Board of Directors approve the course of action proposed by USAC management for performing support mechanism beneficiary and USF contributor audits as described in the issue paper.

At 4:18 p.m. Eastern Time, the Committee continued in *Executive Session*, with only members of the Committee present.

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

At 4:36 p.m. Eastern Time, 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 a4 and a5 and discussed item i6 above. On a motion duly made and seconded, the Committee adjourned at 4:37 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**July 25, 2011**

**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 25, 2011. Mr. D. Michael Anderson, Committee Vice Chair, chaired the meeting. Mr. Anderson called the meeting to order at 3:14 p.m. Eastern Time, with a quorum of three of the four Committee members present (there is one vacancy):

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

Mr. McClure joined the meeting at 3:18 p.m. Eastern Time at which time he chaired the remainder of the meeting. He did not participate in the discussion of or vote on items a1 and a2.

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  
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer  
Greiner, Colleen, Vice President and Chief Information Officer  
Jimenez, Jose, Member of the Board  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<b><u>NAME</u></b>	<b><u>COMPANY</u></b>
Abebe, Hiwot	USAC
Beard, Jay	USAC
Beaver, Tracey	USAC
Becker, Ellen – <i>by telephone</i>	FCC
Bui, Brandon	USAC
Carpenter, Nikki-Blair	USAC
Chen, Karen	PricewaterhouseCoopers
Crowe, Jennifer	USAC
Dadeboe, Joshua	USAC
Delmar, Teleshia	USAC
Eng, Rachel	PricewaterhouseCoopers

<u>NAME</u>	<u>COMPANY</u>
Falcon, Elizabeth	USAC
Fischer, Dennis	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Grant, Colleen	USAC
Hopper, Melissa	USAC
Hubbard, Suzanne	PricewaterhouseCoopers
Hughet, Pamela	USAC
Hultquist, Mary	USAC
Johnson, Nikkia	USAC
Kasey, Dale	USAC
McCoy, Cedric	USAC
Molson, Adam	USAC
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
Reid, Rhea	USAC
Reynolds, Daniel	USAC
Rodriguez, Jose	FCC
Ruffley, Brandon	USAC
Sharma, Akanchya	USAC
Skadin, Andy	FCC
Skadin, Andy	FCC
Smith, Chris	USAC
Smith, Chris	USAC

**ACTION ITEMS:**

- a3. Approval of Audit Committee Meeting Minutes of April 26, 2011.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of April 26, 2011.
- a2. Action on Two USAC Internal Audit Division USAC Information Technology Division Operational Audit Follow-Up 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 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 and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Executive Committee determines that discussion of the USAC Internal Audit Division USAC Information Technology Division Program Development and Change Management Follow-Up Audit Report

labeled US2011FL003 and Incident Response Follow-Up Audit Report labeled US2011FL004 shall be conducted in *Executive Session*.

- a3. Acceptance of USAC 2010 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott and Ms. Suzanne Hubbard, Partner, PricewaterhouseCoopers, LLP, presented this item to the Committee.

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 2010 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 2010 Agreed-Upon Procedures Review Report as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

- a4. Miscellaneous. Solicit Ideas for the October 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. Payment Quality Assurance Program Update.** Mr. Scott presented this item to the Committee.
- i2. Beneficiary and Contributor Audit Program Update.** Mr. Scott presented this item to the Committee.
- i3. Annual Report on Legal Claims That Could Significantly Affect USAC's Operations.** Mr. Capozzi presented this item to the Committee.
- i4. Quarterly Summary of Audit Reports Finalized at Board and 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 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 believe *should be discussed privately*.

At 3:57 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:**

- a2. Action on Two USAC Internal Audit Division USAC Information Technology Division Operational Audit Reports.** Ms. Mary Hultquist, Senior Manager of Outsourced Audit Services, 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 USAC Information Technology Division Program Development and Change Management Follow-Up Audit Report labeled US2011FL003 and Incident Response Follow-Up Audit Report labeled US2011FL004, together with management's responses thereto, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the reports final.

At 4:02 p.m. Eastern Time, the Committee continued in *Executive Session* with only representatives from PricewaterhouseCoopers and the Committee present.

- i5. Audit Committee Executive Session with USAC's Independent Auditing Firm – PricewaterhouseCoopers.**

At 4:40 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 a2 and discussed item i5 above. On a motion duly made and seconded, the Committee adjourned at 4:41 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**AUDIT COMMITTEE MEETING**

**October 24, 2011**

**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 24, 2011. Mr. D. Michael Anderson, Committee Vice Chair, chaired the meeting. Mr. Anderson called the meeting to order at 3:40 p.m. Eastern Time, with a quorum of three of the four Committee members present (there is one vacancy):

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

Mr. McClure joined the meeting at 3:47 p.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2 and a3.

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

Abshire, 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, Chief Financial Officer and Assistant Treasurer  
Feiss, Geoff – Member of the Board  
Greiner, Colleen, Vice President and Chief Information Officer  
Jimenez, Jose – Member of the Board  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Latoya	USAC
Beaver, Tracey	USAC
Becker, Ellen – <i>by telephone</i>	FCC
Bellavia, Leslie	USAC
Boler, Natasha	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Felton, Sharonda	USAC

<u>NAME</u>	<u>COMPANY</u>
Gelman, Sheryl	USAC
Golkow, Susan	USAC
Goode, Vernell	USAC
Grant, Colleen	USAC
Hagemeyer, Jeremy	USAC
Hughet, Pamela	USAC
Lischick, Peter	USAC
Meador, Shay	USAC
Molson, Adam	USAC
Nuzzo, Patsy	USAC
Reynolds, Daniel	USAC
Ruffley, Brandon	USAC
Salvator, Charles	USAC
Smith, Chris	USAC
Stassen, John	USAC

**ACTION ITEMS:**

- a4. Approval of Audit Committee Meeting Minutes of July 25, 2011.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of July 25, 2011.
- 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 proposed changes to the Internal Audit Charter, hereby accepts the recommendation of USAC management and approves the proposed changes to the 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 USAC Finance Division 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 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 and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Executive Committee determines that discussion of the USAC Internal Audit Division Finance Division Operational Audit Report labeled US2011OP001 shall be conducted in *Executive Session*.

- a7. Miscellaneous. Solicit ideas for January the 2012 Committee Meeting 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:**

- ii. Payment Quality Assurance Program Update.** Mr. Scott presented this item to the Committee, noting that to date USAC has not yet received approval from FCC staff to initiate Payment Quality Assurance Program reviews of payments made to support

mechanism beneficiaries in 2011, which will result in the reviews extending beyond the planned July 31, 2012 target completion date.

- i2. **Beneficiary and Contributor Audit Program Update.** Mr. Scott presented this item to the Committee.
- i3. **Quarterly Summary of Audit Reports Finalized at Board and 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, noting that to date FCC staff has not yet approved USAC starting the procurement for an audit firm to conduct the USAC 2011 annual audit, and this delay will make it highly likely that USAC will have to file with the FCC a petition for waiver of the April 15, 2012 deadline for the auditor to submit a draft of the annual audit to the FCC for review.
- i5. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.
- i6. **Information Technology Division Assessments and Audits Status Report.** Mr. Scott presented this item to the Committee.

At 4:27 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.

**EXECUTIVE SESSION:**

- a6. **Action on One USAC Internal Audit Division USAC Finance Division 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 (IAD) Finance Division Operational Audit Report labeled US2011OP001, accepts the recommendation of the USAC Executive Committee and USAC management and hereby deems the report final.

At 4:30 p.m. Eastern Time, 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 item a6 above. On a motion duly made and seconded, the Committee adjourned at 4:30 p.m. Eastern Time.

/s/ David A. Capozzi  
Assistant Secretary