

2001 Executive Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

January 25, 2001

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, January 25, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 2:03 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary. Six of the nine members were present (there is one vacancy), representing a quorum.

Five of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Gumper, Frank
Eichler, Ed - <i>by telephone</i>	Ouye, Kathleen G. - <i>by telephone</i>
Gold, Heather - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
One member joined the meeting in progress:	
Sanders, Dr. Jay - <i>by telephone</i>	
One member was absent:	
Rosenblum, Lisa	
Officers of the Corporation and other Board members present:	
Barash, Scott - Assistant Secretary	River, Robert - <i>by telephone</i>
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Carroll, Kristy	USAC
Howard, Cathy - <i>by telephone</i>	USAC

Open Session**Action Items**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Executive Committee meetings of Thursday, October 19, 2000; Monday, November 6, 2000; Wednesday, November 29, 2000; and Wednesday, December 13, 2000.

- a2. Annual Election of Executive Committee Chair and Vice Chair.** Mr. Gumper noted that at last year's annual election, the Board elected the Chair and Vice Chair of the Board of Directors as the Chair and Vice Chair of the Executive Committee. He expressed the sentiment that it seemed logical for this to be the ongoing structure of the Committee. The Committee recommends that the Board adopt this process as policy.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors establish a policy that the Chair and Vice Chair of the USAC Board of Directors will be elected as the Chair and Vice Chair of the USAC Executive Committee; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors elect the Chair and Vice Chair of the USAC Board of Directors as the Chair and Vice Chair of the USAC Executive Committee for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002 Board meeting.

- a3. Review of the Executive Committee Structure.** Ms. Parrino recalled for the Committee that when the USAC Board of Directors revised the Executive Committee structure a year ago, the Board requested that Committee members monitor the meetings throughout the year for any problems resulting from the size of the Committee and to recommend changes in membership to the Board if the Committee feels such changes are warranted. It was the sense of the Committee and staff that the current size of the Executive Committee has not caused any problems.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors maintain the current structure of the Executive Committee.

- a4. Update and Possible Action on USAC's Financial Reporting Issue.** Mr. Gumper explained that at the last quarterly Board meeting, the Board directed staff to review whether it would be prudent for USAC to change its fiscal year to conform to the FCC's fiscal year which ends on September 30. Ms. Parrino stated that staff investigated the matter and the cons outweigh the pros so staff is recommending not changing the fiscal year.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to maintain the current fiscal year period for USAC.

- a5. Approval of Annual 2001 and 2nd Quarter 2001 USAC Common and Consolidated Budgets.** Ms. Bryant noted that although there is a slight increase in the common budget, it is due to new staff positions that were reviewed and approved previously by the Committee. Ms. Parrino drew the Committee's attention to Attachments A and B, charts that denote how the budget is being allocated.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve an annual 2001 USAC common budget of \$3,519,300; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2nd Quarter 2001 USAC common budget of \$904,900; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve an annual 2001 USAC consolidated budget of \$39,911,400; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2nd Quarter 2001 USAC consolidated budget of \$10,496,900.

- a6. Approval of 2nd Quarter 2001 Revenue Projections and Resolution on the February 2001 FCC Filing.** Ms. Parrino reported that the revenue base has dropped slightly. Updated numbers will be presented to the Board of Directors at its January 30, 2001, meeting.

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

RESOLVED, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 2000, recommends to the USAC Board of Directors to authorize staff to proceed with the required February 6, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

a7. Miscellaneous.

- **Review and Approval of Changes to the USAC CEO's Compensation Package - *Confidential & Proprietary*.** On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee determines that discussion of changes to the USAC CEO's compensation package shall be conducted in ***Executive Session***.

See ***Executive Session***.

Information Items

- i1. Assistant Treasurer's Report.** For information only. No discussion.
- i2. Billing, Collection, Disbursement, and Financial Services Request for Proposals.** For information only. No discussion.
- i3. Report on Pending Litigation.** Mr. Barash explained that the Department of Justice is considering whether to handle the bankruptcy preference lawsuit initiated in Delaware federal court. In the meantime, however, USAC has retained counsel to assist in handling the matter.

i4. Miscellaneous. Ms. Parrino relayed several miscellaneous items.

- As of the end of this meeting, Ms. Gold will no longer be a member of the Executive Committee as she is resigning the Chair position of the High Cost & Low Income Committee. The High Cost & Low Income Committee Chair is an automatic member of the Executive Committee. She will remain a member of the High Cost & Low Income Committee. The Committee thanked Ms. Gold for her service to both Committees.
- Board member, Mr. Tony Butler, resigned his position as of January 23, 2001. The FCC will be notified of the vacancy.
- Mr. Robert Rivera, a newly elected Board member, has resigned from the Schools & Libraries Committee. Mr. Rivera will participate on that Committee as an observer.

On a motion duly made and seconded, the Committee voted at 2:32 p.m. Eastern Time to go into **Executive Session** for purposes of discussing the CEO's compensation package.

Executive Session

a7. Miscellaneous.

- **Review and Approval of Changes to the USAC CEO's Compensation Package - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee will take the necessary steps to revise the USAC CEO's compensation payments for 2001 consistent with the Federal Executive Level I salary cap.

The Committee adjourned from **Executive Session** and reconvened in Open Session at 2:39 p.m. Eastern Time to report out the discussion and the action of the Board during **Executive Session**. There being no further business to attend to, Mr. Gumper adjourned the meeting at 2:40 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

March 5, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Monday, March 5, 2001. Mr. Gumper, Chair of the Committee, called the meeting to order at 1:31 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Ed Eichler, USAC Secretary.

Seven of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Ouye, Kathleen G. - <i>by telephone</i>	
One member joined the meeting in progress:	
Hogerty, Martha - <i>by telephone</i>	
One member was absent:	
Rosenblum, Lisa	
Officers of the Corporation present:	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Howard, Cathy - <i>by telephone</i>	USAC

Action Item

- a1. Final Approval of the USAC Annual Report to the FCC and Congress.** Draft copies of the 2000 USAC Annual Report to the FCC and Congress were delivered by Federal Express on March 3, 2001, to each Committee member. Mr. Blackwell explained a few edits that would be made to the formatting and grammar of the text. Mr. Eichler noted that references to the appendices needed to be added to the text. Ms. Hogerty referenced the second bullet point in the CEO's and Chairman's letter and recommended a change to which the Committee agreed. Mr. Blackwell said that with Committee approval, the report would be sent to the printer on Friday, March 9, 2001.

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

RESOLVED, That the USAC Executive Committee authorizes staff to print and submit the USAC Annual Report to the FCC and Congress, grants staff editorial privilege to make any final format and editorial changes, and to have final copies printed and distributed to interested parties.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 1:47 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

April 19, 2001

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, April 19, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 2:04 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Five of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Gumper, Frank	
Three members joined the meeting in progress:	
Hogerty, Martha - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Ouye, Kathleen G. - <i>by telephone</i>	
One member was absent:	
Rosenblum, Lisa	
Other Board members and Officers of the Corporation present:	
Rivera, Robert - Board Member - <i>by telephone</i>	Haga, Robert - Assistant Treasurer
Barash, D. Scott - Assistant Secretary	

Others present for the meeting:	
Name	Company
Faunce, Donna	USAC
Flannery, Irene	USAC
Howard, Cathy - <i>by telephone</i>	USAC
Rodda, Jim - <i>by telephone</i>	USAC

Open Session

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Executive Committee meetings of Thursday, January 25, 2001, and Monday, March 5, 2001.
- a2. Authorization of the Executive Committee to Perform Audit Oversight Functions.** Ms. Parrino explained the need to define the Board-level audit oversight of USAC's audits. A general corporate practice is for a board of directors to have a separate audit committee that oversees all of the company's audit functions. USAC staff recommends that the audit oversight responsibility be given to the Executive Committee rather than forming a new committee. The membership of the Executive Committee provides balanced representation of all aspects of USAC's operations, and the Executive Committee has served many of these functions as well as serving the functions of the finance committee. The proposed resolution would formally grant authority over audits to the Executive Committee, which we believe, is desirable corporate practice.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors authorize the Executive Committee to oversee all corporate audit functions; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors that staff be directed to develop an Internal Audit Charter defining the role, responsibilities, and reporting structure for the Director of Internal Audits and internal audit staff.

- a3. Approval of 3rd Quarter 2001 USAC Common and Consolidated Budgets.** Ms. Bryant reported that the budget has not changed from the budget presented to the Board at its January 2001 meeting, with one exception-an increase to implement the change in the contribution methodology as a result of the recent FCC order. Staff estimates the changes will increase administrative expenses by \$255,000 for the 3rd Quarter 2001.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3rd Quarter 2001 USAC common budget of \$904,600; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3rd Quarter 2001 USAC consolidated budget of \$7,959,000.

- a4. Approval of Revised 2nd Quarter 2001 Revenue Projections, Revisions to the Variance Threshold Procedures, Report on the Deadline for Revising Revenue Filings, and Report on Maintaining the Late Filing Fee.** Mr. Haga informed the Committee of the three missing numbers on page 6 of the issue paper. Mr. Haga reviewed the FCC order released in March 2001 that shortens by six months the interval between the accrual of revenues and the USF contribution assessment based

on those revenues. Accordingly, USAC will need to file the revenue projection associated with the April 2, 2001, revenue filing at the beginning of May and those revenues will be used to restate carrier contributions in the second quarter. Further, USAC will be required to submit a supplemental revenue data filing to the FCC at the beginning of the third month of each quarter. Because data will be reported in quarterly amounts instead of semi-annual amounts, staff is recommending reducing the variance threshold from \$2.5 billion to \$1.25 billion for future filings. Staff further recommends Committee approval to file the revenue base associated with the April 2, 2001, revenue data collection, revision of the variance threshold for future filings, and explicit delegation to the Executive Committee to approve the 3rd Quarter 2001 revenue base to be filed with the FCC on June 1, 2001.

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

RESOLVED, That the USAC Executive Committee recommends that the Board of Directors delegate to the Executive Committee the authority to review the new revenue base filing that is due at the FCC on June 1, 2001; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the Board of Directors thereafter authorize USAC staff to file Contribution Base amounts with variances not exceeding \$1.25 billion for the international and interstate revenue base of the Board-approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. For variances above \$1.25 billion for the international and interstate revenue base the Board delegates the authority to review and approve the filings to the FCC to the Executive Committee; and

RESOLVED FURTHER, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for July through December 2000 as provided in Attachment A, recommends to the USAC Board of Directors to authorize staff to proceed with the required May 2, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

The Committee **DIRECTED** staff to provide the Committee with a comparison of projected numbers from quarter to quarter at all future quarterly meetings.

Ms. Bryant left the meeting at this point.

- a5. Procedure for Handling Appeals Concerning Contribution and Data Collection and Proposed Resolution of Three Such Appeals.** Mr. Barash reviewed the recommended procedure for handling appeals concerning contributions and data collection. He noted that the Board's programmatic committees have authorized USAC staff to resolve appeals within the programs but only in the absence of unusual or novel circumstances. The proposed procedure mirrors the processes currently in place for the programmatic committees. These are the first appeals received by USAC seeking review of contribution and collection matters, which creates the need for USAC procedures to handle them.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the procedures proposed by staff to adjudicate appeals to USAC for matters relating to billing, collection, or disbursement disputes, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to direct USAC staff to dispose of three pending appeals by contributors in accordance with the recommendation in this issue paper.

- a6. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee determines that discussion of matters related to USAC's RFP for billing, collection, disbursement, and financial services shall be conducted in **Executive Session**.

See *Executive Session*.

- a7. Miscellaneous.** None.

Information Items

i1. Assistant Treasurer's Report. Mr. Haga noted that disbursements for all support mechanisms for the last quarter are as expected with a slight decrease in distributions in the Schools and Libraries Support Mechanism. The most significant item of note in the report is the draft audit report filed with the FCC by Arthur Andersen. The financial statements are in order.

i2. Status Report on USAC Audits. Ms. Parrino informed the Committee that staff would now be providing a quarterly status report on all ongoing USAC audit activities. She reviewed the status of the audits as described in the issue paper.

i3. Report on Pending Litigation. Mr. Barash reported on the status of the two lawsuits in which USAC has been named as the defendant, the first of which he reported on to the Committee at the January 2001 quarterly meeting, and the second that was filed in March 2001. He stated that the cases are pending and that the Committee will continue to be updated as circumstances warrant.

- i4. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in **Executive Session**.

See *Executive Session*.

- i5. Miscellaneous.** None.

On a motion duly made and seconded, the Committee voted at 2:45 p.m. Eastern Time to go into **Executive Session** for purposes of discussing the two confidential and proprietary items as noted above.

Mr. Thoms, Mr. Rivera, and Mr. Rodda left the meeting at this point. Ms. Ellen Wolfhagen, USAC, joined the meeting at this point.

Executive Session

a6. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary. The Committee discussed details of the ongoing contract negotiations.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve the course of action proposed by USAC management regarding the proposals received in response to the Request for Proposals for Billing, Collection, Disbursement, and Financial Services, including, but not limited to, engaging in further discussions with more than one proposed vendor.

i4. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary. The Committee held a discussion on USAC financial reporting issues.

The Committee adjourned from **Executive Session** and reconvened in Open Session at 3:32 p.m. Eastern Time to report out the discussion and the action of the Board during **Executive Session**. There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:33 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

May 16, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Wednesday, May 16, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 3:33 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Six of the nine members were present, representing a quorum.	
Eichler, Ed - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Gumper, Frank- <i>by telephone</i>	Rosenblum, Lisa- <i>by telephone</i>
Hogerty, Martha - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Three members were absent:	
Bryant, Anne	Thoms, Allan
Ouye, Kathleen G	
Other Board members and Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer

Others present for the meeting:	
Name	Company
Faunce, Donna	USAC
Howard, Cathy - <i>by telephone</i>	USAC
Rodda, Jim - <i>by telephone</i>	USAC
Wolfhagen, Ellen - <i>by telephone</i>	USAC

Open Session

Action Items

a1. Approval of 2001 Beneficiary Audit Plan for the Rural Health Care Support

Mechanism. Mr. Haga explained that the Audit Plan contains basic steps for the beneficiary audit this summer. The Audit Plan is marked "Confidential and Proprietary" because it is standard practice not to give out this information to the entities being audited; however, much of the information contained in the Audit Plan is conveyed to the beneficiaries through program procedures and information.

The Committee **DIRECTED** staff to provide all program applicants with basic information on the USAC web site of what is required of them during the application process.

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

RESOLVED, That the USAC Executive Committee approves the audit plan for the 2001 Audit of Beneficiaries of the Rural Health Care Support Mechanism.

a2. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee determines that discussion of the proposals to perform billing, collection, disbursement, and financial management functions for USAC shall be conducted in Executive Session.

See Executive Session.

a3. Miscellaneous. None.

Information Items

i1. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.

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

RESOLVED, That the USAC Executive Committee determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in Executive Session.

See Executive Session.

i2. Miscellaneous. None.

On a motion duly made and seconded, the Committee voted at 3:43 p.m. Eastern Time to go into Executive Session for purposes of discussing the two confidential and proprietary items as noted above.

Executive Session

a2. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary. Staff reviewed the proposals submitted in response to USAC's Request for Proposals for USAC's billing, collection, disbursement, and financial services.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve entering into contracts with PricewaterhouseCoopers and LaSalle Bank to provide Billing, Collection, Disbursement, and Financial Services and allow the Investments Committee to utilize Bank One as an outside investment manager consistent with the Investment Guidelines.

i1. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary. Mr. Gumper reported on a recent meeting between certain USAC Board members and the FCC concerning USAC's financial reporting issues. Committee members consulted with counsel concerning this matter.

The Committee adjourned from Executive Session and reconvened in Open Session at 4:30 p.m. Eastern Time to report out the discussion and the action of the Board during Executive Session. There being no further business to attend to, Mr. Gumper adjourned the meeting at 4:34 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

May 31, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Thursday, May 31, 2001, at USAC, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 12:40 p.m. Eastern Time. Ms. Ann Simmons, Administrative Assistant of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Seven of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Gumper, Frank- <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Hogerty, Martha - <i>by telephone</i>	
Two members were absent:	
Ouye, Kathleen G	Rosenblum, Lisa
Other Board members and Officers of the Corporation present:	
Gold, Heather - Board Member - by telephone	Barash, D. Scott - Assistant Secretary
Lubin, Joel - Board Member - by telephone	Haga, Robert - Assistant Treasurer
Wheeler, Tom - Board Member - by telephone	

Others present for the meeting:	
Name	Company
Flannery, Irene	USAC
Simmons, Ann	USAC

Action Items

a1. Approval of 3rd Quarter 2001 Revenue Projections and Resolution for the June 2001 FCC Filing. Mr. Gumper stated that the Federal Communications Commission (FCC) recently changed the method by which the revenue base is derived. Mr. Haga reported that for the first time, carriers are required to file on a quarterly basis the new FCC Form 499-Q to report revenues from the previous quarter. He then stated that the document before the Committee estimates revenues over a period of time. Mr. Haga discussed with the Committee the Universal Service Support Mechanisms contribution bases for the 2nd and 3rd Quarter 2001 in Attachment C of the issue paper. Mr. Haga stated that the FCC would continue to set contribution factors on a quarterly basis using the same timeframes as under previous methodology.

The Committee DIRECTED staff to report revenue on a quarterly basis for future graphs.

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

RESOLVED, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through March 2001, authorizes staff to proceed with the required June 1, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 12:45 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

June 25, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, June 25, 2001, at USAC, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. Allan Thoms, Vice Chair of the Committee, called the meeting to order at 10:06 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Five of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Parrino, Cheryl - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Rosenblum, Lisa - <i>by telephone</i>	
Four members were absent:	
Eichler, Ed	Hogerty, Martha
Gumper, Frank	Ouye, Kathleen G
Other Board members and Officers of the Corporation present:	
Robert Rivera - Board Member - <i>by telephone</i>	Barash, D. Scott - Assistant Secretary
Haga, Robert - Assistant Treasurer	

Others present for the meeting:	
Name	Company
Howard, Cathy - <i>by telephone</i>	USAC
Miller, Linda	USAC

Action Items

a1. Approval of USAC Comments in the FCC's Notice of Proposed Rulemaking [\(1\)](#) Regarding the Universal Service Contribution Assessment Methodology and Authorization to USAC Staff to File Those Comments with the FCC.

Mr. Barash explained that comments to the FCC are due as of the date of this meeting concerning the proposals discussed by the FCC in its Notice of Proposed Rulemaking

about modifications to the assessment methodology to be used for the Universal Service Support Mechanisms. The FCC specifically requested that USAC submit comments and reply comments on this issue. USAC's comments are limited to administrative and operational issues raised by the FCC, and USAC is not taking positions on the policy questions raised by the FCC. All interested parties will have an opportunity to review and reply to those comments. The USAC Executive Committee will meet in the future to approve reply comments from USAC on this issue.

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

RESOLVED, That the USAC Executive Committee approves USAC's comments in the FCC's Notice of Proposed Rulemaking regarding the universal service contribution assessment methodology and authorizes USAC staff to file those comments with the FCC, using editorial privilege to make any final format and editing changes.

1. See Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking, FCC 01-145, CC Docket Nos. 96-45 et. al (rel. May 8, 2001).

There being no further business to attend to, Mr. Thoms adjourned the meeting at 10:18 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

July 9, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, July 9, 2001, at USAC, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 10:05 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Six of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Three members were absent:	
Hogerty, Martha	Rosenblum, Lisa
Ouye, Kathleen G	
Other Board members and Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer

Others present for the meeting:	
Name	Company
Howard, Cathy - <i>by telephone</i>	USAC
Miller, Linda	USAC

Action Items

- a1. Approval of USAC Reply Comments in the FCC's Notice of Proposed Rulemaking ⁽¹⁾ Regarding the Universal Service Contribution Assessment Methodology and Authorization to USAC Staff to File Those Comments with the FCC.** Mr. Barash explained that reply comments to the FCC are due as of the date of this meeting in response to the initial comments filed with the FCC on June 25, 2001, concerning the proposals discussed by the FCC in its Notice of Proposed Rulemaking about modifications to the assessment methodology to be used for the Universal Service Support Mechanisms. USAC's reply comments focus on the administrative challenges of each methodology being proposed by the other parties

that submitted initial comments.

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

RESOLVED, That the USAC Executive Committee approves USAC's reply comments in the FCC's Notice of Proposed Rulemaking regarding the universal service contribution assessment methodology and authorizes USAC staff to file those comments with the FCC, using editorial privilege to make any final format and editing changes.

1. See Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking, FCC 01-145, CC Docket Nos. 96-45 et. al (rel. May 8, 2001).

There being no further business to attend to, Mr. Gumper adjourned the meeting at 10:13 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

July 19, 2001

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, July 19, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 2:05 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Six of the nine members were present, representing a quorum.	
Bryant, Anne - <i>by telephone</i>	Ouye, Kathleen - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Gumper, Frank	Sanders, Dr. Jay - <i>by telephone</i>
One member joined the meeting in progress:	
Hogerty, Martha - <i>by telephone</i>	
Two members were absent:	
Rosenblum, Lisa	Thoms, Allan
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Claremont, Susan - <i>by telephone</i>	Andersen
Fagan, Mark - <i>by telephone</i>	Andersen
Flannery, Irene	USAC
Griffin, Felice - <i>by telephone</i>	Andersen
Howard, Cathy - <i>by telephone</i>	USAC
Kaplan, Dan - <i>by telephone</i>	Andersen
Orvis, Douglas	Swilder & Berlin
Rodda, Jim - <i>by telephone</i>	USAC

Action Items

Mr. Gumper explained that members of the audit staff from Andersen LLP (Andersen) were at the meeting to give an overview of two of the issues before the Committee; therefore, action items #aEC03 and #aEC05 were addressed first.

- a3. Acceptance of USAC 2000 Financial Audits and Agreed Upon Procedures Reviews.** Mr. Fagan and Mr. Kaplan from Andersen reviewed the presentation of the audit results. Mr. Fagan will bring a letter of independence (as required under accounting procedures) to the USAC Board of Directors meeting on July 24, 2001.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors accept the 2000 financial audit of the Universal Service Administrative Company; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors accept the USAC 2000 agreed upon procedures review; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors authorize the CEO to send a management response to Andersen accepting the 2000 financial audit and agreed upon procedures review and committing to take action to address the issues that were identified in the agreed upon procedures audit; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors authorize Andersen to file the final 2000 audit reports with the FCC.

- a5. Acceptance of the 1998 Form 457 Audit and Authorization of a Review of Carriers' 2000 Interstate and International Revenue - Confidential & Proprietary.** Mr. Barash recommended that the Committee discuss this matter in *Executive Session*. The draft audit report contains contributor revenue data, which USAC must keep confidential per FCC regulations. Mr. Barash further stated that discussing this matter was consistent with the guidelines approved by the Board of Directors. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee determines that discussion of the Form 457, Carrier Revenue Audit shall be conducted in *Executive Session*.

The Committee moved into *Executive Session* at 2:52 p.m. The members of the audit staff from Andersen remained in the meeting. Mr. Haga reported that, overall, the revenue reported in 1998 by carriers on FCC Form 457 was accurately stated.

At this point, the Committee determined that no discussion of confidential carrier revenue was necessary; therefore, on a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee adjourns the ***Executive Session*** and moves into open session to discuss the audit of 2000 carrier revenue.

The Committee moved into open session at 3:01 p.m. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize staff to proceed with the engagement of Andersen to perform a review of carriers' 2000 interstate and international revenue as reported on the April 1, 2001, Form 499-A; and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors accept the USAC 1998 Form 457 Audit.

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Executive Committee meetings of Thursday, April 19, 2001; Wednesday, May 16, 2001; Thursday, May 31, 2001; and Monday, July 9, 2001; and the minutes of Monday, June 25, 2001, as revised.
- a2. **Approval of USAC Internal Audit Charter.** Mr. Haga recalled for the Committee that at its April 24, 2001, quarterly meeting, the Board of Directors authorized the Executive Committee to perform oversight of all USAC internal and external audit activities and directed USAC staff to develop an Internal Audit Charter. He explained that the Charter is ready as proposed with the exception of deciding if the correct term should be Director of Internal *Audits* or Director of Internal *Audit* (*emphasis added*).

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

RESOLVED, That the USAC Executive Committee approves the proposed Internal Audit Charter which defines the role, responsibilities, and reporting structure for the Director of Internal Audits and internal audit staff and grants staff editorial privilege to make any final format and editorial changes.

- a4. **Authorization to File Draft USAC 2001 Financial Audit and Agreed Upon Procedures Review Plans with the FCC.** Ms. Parrino stated that the draft audit plan for 2001 was very similar to last year's plan submitted to the FCC. She called the Committee's attention to two modifications. First, procedures will change to reflect the change in USAC's vendor from NECA to PricewaterhouseCoopers and LaSalle Bank. Second, USAC is proposing to eliminate the audit review steps for the High Cost Support Mechanism data collection because the data collection work is designated as NECA's responsibility under the FCC's rules.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors authorize USAC staff to file with the FCC the proposed USAC 2001 Financial Audit and Operational Review Plan and grants staff editorial privilege to make any final format and editorial changes.

- a6. **Approval of Plan for 2001 Audit of Schools and Libraries Support Mechanism Beneficiaries.** Mr. Haga reviewed the substance of the paper because all members may not have received the paper with sufficient time to review it. He stated that the FCC does not require USAC to engage in audits of beneficiaries; however, USAC staff felt that random compliance audits would help ensure compliance with the certification requirements and other regulations that govern the support mechanism.

There are three components to the proposed audit plan for Schools and Libraries Support Mechanism beneficiaries: (1) Andersen will audit high risk applicants for all active program years; (2) USAC staff will perform audits on small rural schools and libraries coincident with audits of Rural Health Care Support Mechanism beneficiaries for all active program years; and (3) the Defense Contract Audit Agency (DCAA) will audit a number of beneficiaries in an effort to obtain valid statistics on program compliance. The DCAA audit was initiated by the FCC and Commission staff has requested that USAC bear the cost of the DCAA audit. There are increased costs for this audit that have been added to the budget for approval: (1) for the Andersen component, \$1.2 million has already been approved by the Board, but staff anticipates that this work will require an additional, estimated \$400,000; (2) for USAC staff, costs have already been approved in the budget; and (3) for the DCAA component, USAC staff estimates the overall cost at \$2.1 million, with \$200,000 required for this year. The remaining \$1.9 million will be added to the 2002 budget for the remainder of DCAA's work.

On a motion duly made and seconded, the Committee adopted the following resolution. Ms. Bryant abstained, stating that she had not had an opportunity to review the materials prior to the Committee's consideration of this matter.

RESOLVED, That the USAC Executive Committee approves the proposed plan for the 2001 audit of Schools and Libraries Support Mechanism beneficiaries.

Ms. Ouye left the meeting at this point.

- a7. Acceptance of the 2000 Low Income Beneficiary Audit Report and Status Report on the 2001 Low Income Beneficiary Audit.** Ms. Flannery reported that the 2000 audit findings indicated a small percentage of over- or under-reporting and other minimal mistakes due mainly to clerical errors. She further reported that for the 2001 audit there will be one significant change: all carriers, whether they have low-income customers or not, will be asked questions regarding the type of advertising for Lifeline and Link Up that they use as part of compliance with the FCC regulations governing the Low Income Support Mechanism.

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

RESOLVED, That the USAC Executive Committee accepts the 2000 Low Income Support Mechanism Beneficiary Audit Report.

- a8. Approval of 4th Quarter 2001 USAC Consolidated and Common Budgets.** Ms. Parrino highlighted for the Committee the three proposed additions to the budget: (1) \$600,000 in additional costs for the 2001 audit of Schools and Libraries Support Mechanism Beneficiaries; (2) \$250,000 for transition costs from NECA to the new financial services vendors, PricewaterhouseCoopers and LaSalle Bank; and (3) \$100,000 for the review of carriers' reported 2000 interstate and international revenue. She further recommended that because USAC has not yet received clarification from the FCC on re-coding the High Cost model, the \$900,000 in contingency for that potential work should remain in the budget. The 2000 consolidated costs are less than the estimated annual budget. USAC staff has also talked with NECA staff about the costs of billing and collection and have told NECA staff that they cannot exceed the budget for their work without first seeking approval from the USAC Board of Directors.

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

RESOLVED, that the USAC Executive Committee recommends to the USAC Board of Directors to approve a 4th Quarter 2001 USAC common budget of \$992,000; and

RESOLVED FURTHER, that the USAC Executive Committee recommends to the USAC Board of Directors to approve a 4th Quarter 2001 USAC consolidated budget of \$11,090,400.

- a9. Approval of 4th Quarter 2001 Revenue Projections and Resolution for the September 1, 2001, FCC Contribution Base Filing.** Mr. Gumper reminded the Committee that a tentative Executive Committee meeting is scheduled for August 31, 2001, in case the revenue base projections exceed the variance threshold. Otherwise, staff may file the projections. However, Mr. Haga stated that there is no reason at this point to indicate that the contribution base as stated will change. He provided the Committee with the three missing numbers on page 4 of the issue paper.

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

RESOLVED, that the USAC Executive Committee, having reviewed a summary of the current status of the September 1, 2001, FCC filing requirements recommends to the USAC Board of Directors to authorize staff to proceed with the required September 1, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

- a10. Clarification of Delegation of Authority by the USAC Board of Directors to Conduct the Financial and Business Affairs of the Corporation.** On a motion duly made and seconded, the Committee voted to table this item pending further review by staff at the request of the Committee.
- a11. Approval of Contracting and Bidding Timetable - Confidential & Proprietary.** In accordance with the guidelines regarding **Executive Session** approved by the USAC Board of Directors, Mr. Barash explained the rationale behind discussing this item in **Executive Session**. Mr. Barash stated that discussion and public disclosure at this time of this matter, which relates to USAC's procurement strategy and contract negotiations, would compromise USAC's negotiation strategy to the detriment of the Corporation and the Universal Service Support Mechanisms.

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

RESOLVED, that the USAC Executive Committee determines that discussion of USAC's contracting and bidding timetable shall be conducted in **Executive Session**.

The Committee moved into **Executive Session** at 3:44 p.m. Mr. Barash discussed a proposed change to the contracting and bidding timetable concerning the High Cost and Low Income Support Mechanisms.

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

RESOLVED, that the USAC Executive Committee recommends that the USAC Board of Directors approve the revised contracting and bidding timetable set forth herein.

The Committee moved back into open session at 3:45 p.m. to report the action taken during **Executive Session**.

a12. Miscellaneous. None.

Information Items

i1. Assistant Treasurer's Report. For information only. No discussion held.

i2. Rural Health Care Beneficiaries Audit Status. For information only. No discussion held.

i3. Report on USAC's FCC Financial Reporting Issue. For information only. No discussion held.

i4. Miscellaneous. None.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:46 p.m.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

October 2, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Tuesday, October 2, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 12:35 p.m. Eastern Time. Mr. Robert Haga, Assistant Treasurer, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Seven of the nine members were present, representing a quorum.	
Bryant, Anne - by telephone	Ouye, Kathleen - by telephone
Eichler, Ed - by telephone	Parrino, Cheryl - by telephone
Gumper, Frank- by telephone	Sanders, Dr. Jay - by telephone
Hogerty, Martha - by telephone	
Two members were absent:	
Rosenblum, Lisa	Thoms, Allan
Officers of the Corporation present:	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Aylward, Jillian	USAC
Miller, Linda	USAC

Action Items

- a1. Settlement of Pending Litigation Involving the Universal Service Support Mechanisms - Confidential & Proprietary - Executive Session.** In accordance with the guidelines regarding Executive Session approved by the USAC Board of Directors, Ms. Parrino explained the rationale behind discussing this item in Executive Session.

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

RESOLVED, That the USAC Executive Committee determines that discussion of settlement of pending litigation shall be conducted in Executive Session.

The Committee moved into **Executive Session** at 12:37 p.m. Ms. Parrino discussed the proposed settlements for the three pending litigation cases.

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

RESOLVED, That the USAC Executive Committee authorizes staff to proceed with the settlement of In re EqualNet Communications, Inc., et al.; In re USN Communications, Inc., Scott Peltz, Trustee v. USAC; and In re Crescent Public Communications, Inc., Unsecured Creditors v. USAC in accordance with the terms and conditions set forth in the foregoing analysis. Before voting on the second resolution before the Committee, Ms. Bryant questioned if it was appropriate at this time to recommend that the USAC Board authorize the CEO to settle any litigation cases as stated in the resolution in light of the fact that the FCC has not issued a final determination on whether USAC can expend money out of the Universal Service Fund to settle cases. After discussion, the Committee determined that the resolution reflects good business practice and is consistent with the fiduciary responsibility of the Board to settle cases where it is in the best interest of the fund.

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

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize the CEO to approve the settlement or compromise of litigation or other claims against USAC where the amount in controversy is \$100,000 or less; provided, that any matters involving novel issues or matters of significant policy continue to be brought before the Board of Directors regardless of the amount in controversy.

The Committee moved back into open session at 12:47 p.m. to report the action taken during **Executive Session**.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 12:48 p.m.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

October 18, 2001

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, October 18, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 2:01 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Seven of the nine members were present, representing a quorum:	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Ouye, Kathleen - <i>by telephone</i>	
Two members were absent:	
Hogerty, Martha	Rosenblum, Lisa
Other Board members and Officers of the Corporation present:	
Hess, Kevin - Board member - <i>by telephone</i>	Barash, D. Scott - Assistant Secretary
Rivera, Robert - Board member - <i>by telephone</i>	Haga, Robert - Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Flannery, Irene	USAC
Howard, Cathy - <i>by telephone</i>	USAC
McDonald, George	USAC
Rodda, Jim - <i>by telephone</i>	USAC

Action Items:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Executive Committee meetings of Thursday, July 19, 2001, and Tuesday, October 2, 2001.
- a2. Acceptance of the Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report - Confidential & Proprietary - Executive Session.** Mr. Gumper explained that any discussion regarding acceptance of the report itself need not take place in *Executive Session*, but that a report concerning the details of an ongoing investigation of one of the beneficiaries should be conducted in *Executive Session*. Therefore, in accordance with the guidelines regarding *Executive Session* approved by the USAC Board of Directors, Mr. Barash recommended that, because this investigation is not final and because of the sensitivity of the potential allegations and the potential for enforcement action, details of the investigation be discussed in *Executive Session*.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the specific ongoing investigation of a Schools and Libraries Support Mechanism beneficiary be conducted in *Executive Session*.

See *Executive Session* for a report on this discussion.

The Committee then turned to a discussion of the report. Mr. Haga reviewed the reasons for requesting the agreed upon procedures review of Schools and Libraries Support Mechanism beneficiaries, the objectives of the review, and the results of the review as outlined in the issue paper and in the report that is before the Committee. Ms. Parrino reviewed several other points: (1) that the audit was not required by the FCC, but that USAC decided it would be an important component of internal control; (2) that the selection of the beneficiaries by USAC to be audited was targeted to specific high-risk beneficiaries, including those with large funding requests, and not based on a random sample; (3) that the final report would not be treated as a confidential document; and (4) that USAC plans to distribute copies to FCC Commissioners and interested staff members, the General Accounting Office, and the USAC Board of Directors. A discussion ensued as to the confidentiality of the report as the appendices contain specific findings concerning each beneficiary that in the view of some Committee members should be kept confidential. Ms. Parrino noted that the FCC was consulted about the draft report and had determined that it would be subject to release in response to Freedom of Information Act requests once it was provided to the FCC. The Committee determined that, because this issue affects all of the support mechanisms, the full Board of Directors should address this issue at its quarterly meeting on October 23, 2001.

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

RESOLVED, That the USAC Executive Committee accepts the Schools and Libraries Support Mechanism 2000 Beneficiary Agreed Upon Procedures Report from Arthur Andersen.

- a3. Acceptance of the 2001 Agreed Upon Procedures Report of Beneficiaries of the Rural Health Care Support Mechanism.** Mr. Haga stated that the audit was performed by USAC's internal audit staff, with the bulk of the work performed by Mr. Rodda, one of USAC's internal auditors. For each of the 22 beneficiaries audited, no exceptions were noted.

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

RESOLVED, That the USAC Executive Committee accepts the 2001 Agreed Upon Procedures Report of Rural Health Care Support Mechanism beneficiaries.

- a4. Approval of 1st Quarter 2002 USAC Consolidated and Common Budgets and Information on Estimated 2002 Annual Budget.** Ms. Parrino reviewed the 1st Quarter 2002 budget and estimated 2002 annual budget as outlined in the issue paper.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1st Quarter 2002 USAC common budget of \$1,048,400; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1st Quarter 2002 USAC consolidated budget of \$12,454,300.

- a5. Approval of 1st Quarter 2001 Revenue Projections and Resolution for the December 2, 2001, FCC Filing.** Mr. Haga reported that final numbers are not available, as the filings are not due until November 1. Therefore, in accordance with the procedure approved by the Board, the figures currently before the Committee were taken from last quarter's revenue data filing with the FCC. Mr. Haga noted that staff expects the final numbers to be within the variance threshold of \$1.25 billion established by the Board. Mr. Gumper stated that if the variance threshold is exceeded, a meeting of the Executive Committee will be held before the filing due date.

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

RESOLVED, that the USAC Executive Committee, having reviewed a summary of the current status of the December 2, 2001, FCC filing requirements recommends to the USAC Board of Directors to authorize staff to proceed with the required December 2, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a6. Miscellaneous.** None.

Information Items:

- i1. Assistant Treasurer's Report.** For information only. No discussion held.
- i2. Status of Transition to PricewaterhouseCoopers and LaSalle Bank for Financial Support Services for USAC.** For information only. No discussion held.
- i3. Status Report on USAC Audits.** For information only. No discussion held.

i4. Miscellaneous. None.

Board member Ms. Bryant left the meeting at this point.

At 2:44 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary item as noted above.

Executive Session:

a2. Acceptance of the Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report - Confidential & Proprietary - Executive Session. The Committee received a report from USAC staff on the ongoing investigation of a Schools and Libraries Support Mechanism beneficiary.

The Committee adjourned from **Executive Session** and reconvened in open session at 2:49 p.m. to report out the discussion of the Committee during **Executive Session**. Ms. Parrino also informed the Committee of the agendas for the Committee members' meetings with FCC Commissioner Martin on Monday, October 22, 2001, and with FCC Chairman Powell and Commissioner Copps on Tuesday, October 23, 2001.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 2:55 p.m.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

EXECUTIVE COMMITTEE MEETING

November 20, 2001

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Tuesday, November 20, 2001. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 9:05 a.m. Eastern Time. Ms. Cheryl L. Parrino, CEO called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Four of the nine members (there is one vacancy) were present, representing a quorum.	
Eichler, Ed - <i>by telephone</i>	Parrino, Cheryl
Gumper, Frank - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Four members were absent:	
Bryant, Anne	Hogerty, Martha
Rosenblum, Lisa	Ouye, Kathleen
Other Board members and officers of the Corporation present:	
Hess, Kevin - Board Member - <i>by telephone</i>	Barash, D. Scott - Assistant Secretary
Haga, Robert - Assistant Treasurer	

Information Items

- i1. Update on the FCC FY 2001 Financial Audit of the Universal Service Fund - Confidential & Proprietary - Executive Session.** In accordance with the guidelines regarding **Executive Session** approved by the USAC Board of Directors, Mr. Barash stated that this information item involved discussion of matters in which the advice of counsel had been sought; therefore, discussion of this matter in open session could compromise the corporation's attorney-client privilege. He also indicated that USAC was privy to certain pre-decisional matters pending at the FCC, the discussion of which also warranted discussion in **Executive Session**.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the FCC financial audit of the Universal Service Fund for fiscal year 2001 shall be conducted in *Executive Session*.

The Committee moved into **Executive Session** at 9:07 a.m. Ms. Parrino provided the Committee with an update on the status of the FCC financial audit of the Universal Service Fund for fiscal year 2001. No action was taken by the Committee.

The Committee moved back into open session at 9:30 a.m. to report the discussion that occurred during **Executive Session**.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 9:34 a.m.

D. Scott Barash
Assistant Secretary