

# 2009 High Cost & Low Income Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**January 26, 2009**

**MINUTES**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday January 26, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:30 p.m. Eastern Time. Seven of eight members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO – <i>by telephone</i>	Jortner, Wayne
Boyle, Anne	Knowles, Rex
Feiss, Geoff	Lubin, Joel – Chair
Gillan, Joe	

Members of the Committee not present:

Kimmelman, Gene

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

Anderson, D. Michael – Member of the Board  
Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Erwin, W. B. – Vice President of Finance and Assistant Treasurer  
Holcombe, Jamie – Vice President of Information Technology Services  
Majcher, Karen – Vice President, High Cost & Low Income Division  
Scott, Wayne – Vice President of Internal Audit

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Ahuja, Natasha	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Beaver, Tracey	USAC
Bilodeau, Amanda	USAC
Byrd, Pamela	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC– <i>by telephone</i>
Derocher, Michael	USAC
Falkowitz, Ed	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Iversen, Eric	USAC
Master, Maneck	Telcordia
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Pertsevoi, Elizabeth	USAC
Rasmussen, Mary	USAC
Rodriguez, Jose	FCC
Spead, Michael	USAC
Tavakoli, Kevan	USAC
Watterson, Stefani	USAC
Yee, Kim	FCC

**ACTION ITEMS:**

- a1. **Approval of High Cost & Low Income Committee Meeting Minutes of October 27, 2008 and December 10, 2008.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of October 27, 2008 and December 10, 2008.
- a2. **Approval of 2<sup>nd</sup> Quarter 2009 and 2009 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Belden introduced this item to the Committee and recommended that discussion of this item be conducted in Executive Session because a procurement matter was included for consideration by the Committee as part of the budget. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi

recommended that this discussion be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

**RESOLVED**, that the USAC High Cost and Low Income Committee determines that discussion of the Approval of 2<sup>nd</sup> Quarter 2009 and 2009 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets shall be conducted in *Executive Session*.

- a3. **Approval of 2<sup>nd</sup> Quarter 2009 High Cost and Low Income Support Mechanisms Demand Projections for the January 30, 2009 FCC Filing.** Ms. Majcher introduced this item to the Committee. In response to a question from Mr. Lubin concerning the typical large variances in prior period adjustments for this quarter each year and the status of USAC's recommendation to the FCC concerning accounting for the adjustment, Mr. Belden replied that the FCC has not yet responded to USAC's proposal and USAC staff bring this matter to the attention of Commission staff on a regular basis.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 26, 2009, a summary of the 2<sup>nd</sup> Quarter 2009 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required January 30, 2009 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. **Recommendation for Annual Election of Committee Chair and Vice Chair.** Mr. Lubin introduced this item to the Committee. Mr. Jortner nominated Mr. Lubin to be Committee chair and Ms. Boyle nominated Mr. Gillan to be Committee Vice Chair.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect Joel Lubin as Chair and Joseph Gillan as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

**a5. Action on 14 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.**

Mr. Scott introduced this item to the Committee, noting that including the reports submitted to the Committee for review today, a total of 65 FCC Office of Inspector General (OIG) USF audit program Round 2 reports will have been reviewed with approximately 300-330 more reports to be reviewed. Mr. Lubin asked that the reports be prioritized so that the carriers that were audited in Round 2 and who will also be audited in Round 3 will receive copies of their final Round 2 audit reports as soon as possible.

During discussion, on a motion duly made and seconded, the Committee voted to lay the resolution on the table while it discussed an audit finding for a number of High Cost Support Mechanism beneficiaries that certain beneficiaries are failing to comply with the requirement in 47 C.F.R. § 54.201(d)(2) that the beneficiaries advertise the availability of services supported by universal service as set forth 47 C.F.R. § 54.101(a). After discussion, the Committee determined that staff should request guidance from the FCC on the requirements of Section 54.201(d)(2). On a motion duly made and seconded, the Committee then voted to take the resolution off the table for further consideration.

An amendment to the resolution was moved and seconded, and the Committee adopted the following resolution:

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 14 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final, provided that management revises its recommendation in the applicable reports that it intends to seek guidance from the Federal Communications Commission on proper application of the Commission's rules concerning advertising supported services as set forth in Sections 54.101(a) and 54.201(d) of the Commission's rules; and

**RESOLVED FURTHER**, that USAC management shall obtain such guidance from the Commission prior to taking action on the aforementioned audit finding for the 14 reports under consideration or future reports, and management shall inform auditees who had this audit finding in reports previously finalized that USAC shall take no action on such finding until Commission guidance is received.

- a6. **Action on Four USAC Internal Audit Division Low Income Support Mechanism Limited Review Beneficiary Audit Reports.** Mr. Scott introduced this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit reports labeled LI2008LR008, LI2008LR009, LI2008LR010 and LI2008LR011, together with management's responses thereto, hereby accepts the recommendation of USAC management and hereby deems such reports final.

- a7. **Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Performance 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 High Cost & Low Income Committee determines that discussion of the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report labeled LI2008BE001 shall be conducted in *Executive Session*.

- a8. **Consideration of High Cost and Low Income Program Operations Support Services.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee determines that discussion of the proposed course of action regarding the administrative

support services required to administer the High Cost and Low Income Programs shall be conducted in ***Executive Session***.

- a9. **Miscellaneous.** Solicit Ideas for the April 2009 Committee Agenda. Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the April 2009 quarterly meeting by submitting ideas to Mr. Lubin or Mr. Gillan or Ms. Majcher.

**INFORMATION ITEMS:**

- i1. **High Cost and Low Income Support Mechanism Update.** Ms. Majcher presented this item to the Committee.

At 2:58 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:**

- a7. **Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Performance 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 High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit report labeled LI2008BE001, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such report final.

At 3:03 p.m. Eastern Time, the Committee continued in ***Executive Session*** with only USAC officers, Commission staff and certain USAC staff present.

- a8. **Consideration of High Cost and Low Income Program Operations Support Services.** Mr. Belden and Ms. Majcher 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 High Cost and Low Income Committee, having reviewed USAC management's recommendation, approves the course of action proposed by USAC management regarding High Cost and Low Income Program administration support options.

- a2. **Approval of 2<sup>nd</sup> Quarter 2009 and 2009 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.**

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 2<sup>nd</sup> Quarter 2009 programmatic budget for the High Cost Support Mechanism of \$16.3 million and a 2009 annual High Cost Support Mechanism budget of \$51.8 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 2<sup>nd</sup> quarter 2009 programmatic budget for the Low Income Support Mechanism of \$2.2 million and a 2009 annual Low Income Support Mechanism budget of \$8.7 million.

At 3:25 p.m. Eastern Time, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Mr. Lubin reported that the Committee took action on items a2, a7, and a8 above in **Executive Session**.

On a motion duly made and seconded, the Committee adjourned at 3:26 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**HIGH COST & LOW INCOME COMMITTEE MEETING**

**March 6, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, March 6, 2009. Mr. Joel Lubin, Chair, called the meeting to order at 12:02 p.m. Eastern Time. Seven of the eight members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO	Jortner, Wayne – <i>by telephone</i>
Boyle, Anne – <i>by telephone</i>	Knowles, Rex – <i>by telephone</i>
Feiss, Geoff – <i>by telephone</i>	Lubin, Joel – Chair – <i>by telephone</i>
Gillan, Joe – Vice Chair – <i>by telephone</i>	

Mr. Gene Kimmelman joined the meeting at 12:04 p.m. Eastern Time by telephone. He voted on all items presented to the Committee.

Other officers of the corporation present:

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

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince – <i>by telephone</i>	FCC
Bilodeau, Amanda	USAC
Davis, Craig	USAC
Hultquist, Mary	USAC
Mitchell, Jeff – <i>via telephone</i>	USAC
Nuzzo, Patsy	USAC

## **ACTION ITEMS:**

- a3. Action on 48 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee noting that majority of the audits received an unqualified opinion with only one adverse opinion.

Mr. Jortner sought additional clarification between a qualified and unqualified opinion, noting that the monetary effect did not seem to be a clear indicator. Mr. Barash noted that the opinion is determined by the auditor and is based on the number and type of findings not just the monetary effect.

Mr. Feiss questioned those audits where the amount to be recovered was listed as To Be Determined and questioned when an actual amount would be identified. Ms. Majcher explained that in some cases carriers may be asked to re-file their data. The carriers are given 60 days to respond, if they do not, the amount listed in the audit report is collected. The final outcome is equal to or less than the recovery amount noted in the audit report. In other cases, there may be additional investigative work that USAC needs to complete or an issue could be pending clarification at the FCC. Mr. Jortner questioned if the Inspector General required recovery based documentation issues. Mr. Barash responded that in such instances, USAC has been directed to conduct further investigations.

Ms. Boyle and Mr. Jortner express concern that the Committee might be perceived as not being responsible should they deem an audit final when the recovery amount has not been finalized. Mr. Scott explained that when an auditor has identified findings and submitted a report, the beneficiary has included a response, and if necessary, USAC has incorporated a management response, then the audit work is complete. USAC may not agree with all of the auditors' findings, may need to complete additional investigations, or may need clarification from the FCC, but the report is still complete from the auditors' perspective. The auditors will not change an issued attestation audit report, unless there is a material error in the report. Mr. Lubin clarified that the Committee is deeming the work of the auditors as final, not USAC's work. Mr. Barash agreed that an adjustment would be made to the report to provide a clear understanding of the status of the audit.

Mr. Feiss noted that on audits with an unqualified opinion that the amount to be recovered is sometimes greater than the monetary effect. Ms. Majcher explained that the auditor may conduct a one month review of the line count. If there are problems with the line count, it would impact the entire quarter, not just one month, therefore, the recovery would be greater than the listed monetary effect.

Mr. Feiss shared feedback that some rural carriers have expressed concern that auditors conducted field visits a year ago but the carriers have not yet received a report. Mr. Barash indicated that USAC was sympathetic to the concern, noting the difficulty for those carriers audited consecutively year after year. Mr. Barash explained the unprecedented number of audits being conducted and the work involved for USAC and

committed to providing all companies who have audits pending with a status report and estimated date of completion.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 48 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a4. Consideration of Modification to KPMG LLP Contract for Audit Services for Round 2 of the FCC Office of Inspector General USF Audit Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration* and is *subject to the attorney/client privilege*.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee determines that consideration of authorizing a modification to the not-to-exceed contract amount for the KPMG Round 2 audit services for the FCC OIG USF audit program effort shall be conducted in *Executive Session*.

- a3. Miscellaneous. Update on High Cost and Low Income and Schools and Libraries Performance Audits.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter is *subject to the attorney/client privilege*.

At 12:31 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* with Officers and select staff present for the purpose of discussing the confidential and proprietary items noted above.

**EXECUTIVE SESSION:**

- a2. Consideration of Modification to KPMG LLP Contract for Audit Services for Round 2 of the FCC Office of Inspector General USF 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 High Cost & Low Income Committee accepts the recommendation of USAC management and hereby authorizes management to modify the contract between USAC and KPMG for the provision of High Cost Program audit services in the second year of the FCC OIG USF audit program to a total amount not-to-exceed \$24.6 million.

- a3. Miscellaneous. Update on High Cost and Low Income and Schools and Libraries Performance Audits.** Mr. Barash introduced this item to the Committee.

At 12:55 p.m. Eastern Time the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time, Mr. Lubin reported that the Committee took action on items a2, a3 above in **Executive Session**.

On a motion duly made and seconded, the Committee adjourned at 12:56 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**April 3, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, April 3, 2009. Mr. Joel Lubin, Chair, called the meeting to order at 12:04 p.m. Eastern Time. Seven of eight Committee members were present, representing a quorum:

Barash, Scott – Acting CEO

Kimmelman, Gene – *by telephone*

Feiss, Geoff – *by telephone*

Knowles, Rex – *by telephone*

Gillan, Joe – Vice Chair – *by telephone*

Lubin, Joel – Chair – *by telephone*

Jortner, Wayne – *by telephone*

Members of the Committee not present:

Boyle, Anne

Other officers of the corporation present:

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary – *by telephone*

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince – <i>by telephone</i>	FCC
Davis, Craig	USAC
Nuzzo, Patsy	USAC

**ACTION ITEMS:**

**a5. Action on 44 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution, with Mr. Feiss abstaining on audits for companies that are members of the Montana Telecommunications Association and Mr. Lubin abstaining on audits of affiliates of his employer:

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 44 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management’s responses, accepts the recommendation of USAC management and hereby deems such reports final.

**a2. Miscellaneous. Update on High Cost & Low Income and Schools & Libraries Performance Audits.** Mr. Capozzi presented this item to the Committee, noting that to date the auditors retained by the FCC Office of Inspector General have not contacted USAC with proposed dates and times for interviews of Committee members.

On a motion duly made and seconded, the Committee adjourned at 12:16 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**April 27, 2009**

**MINUTES**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday April 27, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:32 p.m. Eastern Time with a quorum of seven of the eight members of the Committee present (there is one vacancy).

Barash, Scott – Acting CEO

Jortner, Wayne

Boyle, Anne

Knowles, Rex

Feiss, Geoff

Lubin, Joel – Chair

Gillan, Joe – Vice Chair

Members of the Committee not present:

Kimmelman, Gene

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

Anderson, D. Michael – Member of the Board

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W. B. – Vice President of Finance and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Technology

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit

Ridley, Carolyn – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Bilodeau, Amanda	USAC
Delmar, Teleshia	USAC
Emmanuel, Jillian	USAC
Gelman, Sheryl	USAC
Iversen, Eric	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Pertsevoi, Elizabeth	USAC
Rasmussen, Mary	USAC
Rodriguez, Jose	FCC
Williams, Lisa	USAC
Yee, Kim	FCC

**ACTION ITEMS:**

**a6. Approval of High Cost & Low Income Committee Meeting Minutes of January 26, 2009, March 6, 2009 and April 3, 2009.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of January 26, 2009, March 6, 2009 and April 3, 2009.

**a7. Approval of 3rd Quarter 2009 and Revised 2009 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Belden presented this item to the Committee, noting that the only change to the budget from the version presented at the April 27, 2009 meeting was the removal of funding for Round 4 of the FCC OIG USF audit program as directed by the USAC Board of Directors during its January 27, 2009 meeting.

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



**RESOLVED**, that the USAC High Cost and Low Income Committee approves a 3rd Quarter 2009 programmatic budget for the High Cost Support Mechanism of \$12.9 million and a revised 2009 annual High Cost Support Mechanism budget of \$50.4 million; and

**RESOLVED FURTHER**, that the USAC High Cost and Low Income Committee approves a 3rd Quarter 2009 programmatic budget for the Low Income Support Mechanism of \$2.5 million and a revised 2009 annual Low Income Support Mechanism budget of \$8.2 million.

- a3. Approval of 3rd Quarter 2009 High Cost and Low Income Support Mechanisms Demand Projections for the May 1, 2009 FCC Filing.** Ms. Majcher presented this item to the Committee. Mr. Lubin noted that payments to beneficiaries for the Interstate Common Line Support component of the High Cost Support Mechanism will increase over time as the number of wire-line customers decrease. Ms. Majcher stated that Low Income Support Mechanism benefit payments are up significantly from 1st Quarter 2009 due to new Eligible Telecommunications Carrier (ETC) designations being granted. Mr. Barash noted that this increase in demand will likely cause the Universal Service Fund contribution factor to increase.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 27, 2009, a summary of the 3rd Quarter 2009 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required May 1, 2009 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. Action on 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to the issue paper and attached hereto, together with management's

responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a5. **Action on One USAC Internal Audit Division High Cost Support Mechanism Limited Review Beneficiary Audit Report.** Ms. Teleshia Delmar presented this item to the Committee. Mr. Gillan moved that the report be accepted. The motion was seconded. Following discussion, members of the Committee and Mr. Scott agreed to make certain revisions to the report and resubmit it to the Committee at the next quarterly meeting. Mr. Gillan then withdrew his motion.
- a6. **Miscellaneous.** Solicit Ideas for the April 2009 Committee Agenda. Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the April 2009 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

**INFORMATION ITEMS:**

- i1. **High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee.
- i2. **High Cost and Low Income Program Operations Transition Update.** Ms. Majcher 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.**

On a motion duly made and seconded, the Committee adjourned at 3:07 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**June 5, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, June 5, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 12:01 p.m. Eastern Time with a quorum of six of the seven Committee members present (there are two vacancies).

Barash, Scott – Acting CEO

Jortner, Wayne

Boyle, Anne

Knowles, Rex

Feiss, Geoff

Lubin, Joel – Chair

Members of the Committee not present:

Gillan, Joe – Vice Chair

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

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit – *by telephone*

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Bilodeau, Amanda	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC

**ACTION ITEMS:**

- a8. Action on 28 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that three reports have been removed from consideration and the Committee is only being asked to approve 25 reports at this meeting. The three reports will be presented at a future meeting.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 25 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to the issue paper and attached hereto, together with management’s responses, accepts the recommendation of USAC management and hereby deems such reports final.

On a motion duly made and seconded, the Committee adjourned at 12:21 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**June 26, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, June 26, 2009. Mr. Joseph Gillan, Committee Vice Chair, called the meeting to order at 12:01 p.m. Eastern Time with a quorum of six of the seven Committee members present (there are two vacancies).

Barash, Scott – Acting CEO

Gillan Joe – Vice Chair – *by telephone*

Boyle, Anne – *by telephone*

Jortner, Wayne – *by telephone*

Feiss, Geoff – *by telephone*

Knowles, Rex – *by telephone*

Members of the Committee not present:

Lubin, Joel – Chair

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

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit – *by telephone*

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Bilodeau, Amanda	USAC
Cunningham Christine	USAC
Delmar, Teleshia	USAC
Hultquist, Mary	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC

**ACTION ITEMS:**

- a9. Action on 43 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Mitchell presented this item to the Committee, noting that after approval of this batch of reports today, 114 out of 390 Round 2 FCC OIG USF audit program High Cost Support Mechanism reports remain to be reviewed. Mr. Gillan requested that the minutes of the meeting reflect that the Committee encourages the FCC to provide guidance in response to a USAC written request as soon as possible concerning the proper treatment of tax reporting in High Cost Support Mechanism filings by beneficiaries who are organized as Subchapter-S corporations

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 43 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to the issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a2. **Action on 23 USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Mr. Scott presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism beneficiary audit reports labeled HC2008LR001 and HC2008LR002, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such reports final.

**INFORMATION ITEMS:**

- i1. **Miscellaneous.** Mr. Barash provided an update to the Committee on the status of the Round 2 FCC OIG USF audit program High Cost Support Mechanism beneficiary audits follow-up work, noting that 13 of 65 audits from Round 1 require follow-up work to determine whether all or a portion of the payments made were improper. Mr. Barash also noted that the FCC Office of Inspector General had deemed improper 15% of the payments audited in Round 1. Mr. Barash stated that based on preliminary indications from the Round 1 follow-up work, the actual improper payment rate is expected to be closer to 5.4%.

On a motion duly made and seconded, the Committee adjourned at 12:31 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**July 27, 2009**

**MINUTES**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday July 27, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:38 p.m. Eastern Time with a quorum of all seven members of the Committee present (there are two vacancies):

Barash, Scott – Acting CEO  
Boyle, Anne  
Feiss, Geoff  
Gillan, Joe – Vice Chair

Jortner, Wayne  
Knowles, Rex  
Lubin, Joel – Chair

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

Belden, Richard – Chief Operating Officer  
Campbell, Anne – Member of the Board  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Erwin, W. B. – Vice President of Finance and Assistant Treasurer  
Majcher, Karen – Vice President, High Cost & Low Income Division  
Scott, Wayne – Vice President of Internal Audit  
Simon, Phyllis – Member of the Board  
Ridley, Carolyn – Member of the Board  
Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Bilodeau, Amanda	USAC
Damarla, Anitha	USAC
Delmar, Teleshia	USAC



NAME	COMPANY
Gelman, Sheryl	USAC
Gonzales, Veronica	USAC
Goode, Vernell	USAC
Mann, Connie	USAC
Hopper, Melissa	USAC
Hultquist, Mary	USAC
Iversen, Eric	USAC
Machcinski, Thad	FCC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Rasmussen, Mary	USAC
Reynolds, Dan	USAC
Rodriguez, Jose	FCC

**ACTION ITEMS:**

**a10. Approval of High Cost & Low Income Committee Meeting Minutes of April 27, 2009, June 5, 2009 and June 26, 2009.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of April 27, 2009, June 5, 2009 and June 26, 2009.

**a11. Approval of 4th Quarter 2009 High Cost and Low Income Support Mechanisms Programmatic Budgets and Revised 2009 Annual Low Income Support Mechanism Programmatic Budget.** Mr. Belden presented this item to the Committee, noting that the negative amount requested for approval for 4th Quarter results from a budget reduction due to removal of budgeted funding for Low Income Support Mechanism beneficiary audits in Round 3 of the FCC Office of Inspector General USF audit program. Mr. Belden further noted that the High Cost and Low Income Division will require \$1.01 million to administer the Low Income Support Mechanism during 4th Quarter 2009.

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

**RESOLVED,** that the USAC High Cost and Low Income Committee approves a 4th Quarter 2009 programmatic budget for the High Cost Support Mechanism of \$9.5 million; and

**RESOLVED FURTHER,** that the USAC High Cost and Low Income Committee approves a 4th Quarter 2009 programmatic budget for the Low Income Support Mechanism of negative \$2.1 million and a revised 2009 annual Low Income Support Mechanism budget of \$3.8 million.

- a3. **Approval of 4th Quarter 2009 High Cost and Low Income Support Mechanisms Demand Projections for the July 31, 2009 FCC Filing.** Ms. Majcher presented this item to the Committee.

At 2:02 p.m. Eastern Time, during discussion, the Committee determined that it needed to review certain aspects of the demand projections in *Executive Session* because those portions of the projection would require a discussion of *investigatory records or pending or contemplated enforcement action*. On a motion duly made and seconded the Committee entered into *Executive Session* to continue discussion of the High Cost and Low Income Support Mechanisms demand projections. At 2:08 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session* to continue discussion of the demand projections.

Messrs. Lubin and Gillan expressed concern that increasing program demand, coupled with the declining revenue base, will continue driving the Universal Service Fund contribution factor higher each quarter, and they requested that the full Board discuss this matter.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 27, 2009, a summary of the 4th Quarter 2009 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required July 31, 2009 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. **Action on Three USAC Internal Audit Division High Cost Support Mechanism Limited Review Beneficiary Audit Reports.** Ms. Teleshia Delmar presented this item to the Committee.

On a motion duly made, seconded and after discussion, the Committee adopted the following resolution, with Mr. Gillan voting not to approve the resolution:

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism beneficiary audit reports labeled: HC2008LR007, HC2008LR008 and HC2008LR012, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such reports final.

- a5. **Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Ms. Teleshia Delmar presented this item to the Committee. Mr. Lubin recused himself from the discussion of and voting on this item.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit report labeled LI2008LR005, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such report final.

- a6. **Action on 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Jeff Mitchell presented this item to the Committee, noting that of the 390 Round 2 FCC Office of Inspector General audit program High Cost Program beneficiary audits, 90 remain to be completed by staff and presented to the Committee for review, and the auditors withdrew from 29 audits, which will not be presented to the Committee for action.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports, as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a7. **Action on Ten High Cost Support Mechanism Beneficiary Performance Audit Reports.** Mr. Scott presented this item to the Committee, noting that the FCC Office of the Managing Director had directed USAC to perform these audits, and the reports represent follow-up work performed on 10 beneficiaries audited in Round 1 of the FCC OIG USF audit program. Mr. Scott also explained that the results of these performance audits lower the projected improper payment rate in the program for the period audited from 15.07 percent to 2.04 percent.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 10 High Cost Support Mechanism Beneficiary Performance Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a6. **Miscellaneous.** Solicit Ideas for the October 2009 Committee Agenda. Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the October 2009 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

**INFORMATION ITEMS:**

- i1. **High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee, noting that:

- USAC management anticipates that Telcordia will deploy the final phase of the HCLI systems enhancements no later than July 31, 2009. USAC will perform three parallel months of testing prior to retiring the legacy system.
- On June 19, 2009, Telcordia deployed the online Low Income Support Mechanism FCC Form 497. USAC staff will be holding a series of training sessions during which they will train carriers on use of the online form. USAC expects a limited number of companies will file online in July, with a larger number expected to do so in August.
- The Commission issued guidance<sup>1</sup> on two exceptions to the interim industry-wide cap on Competitive Eligible Telecommunications Carrier (CETC) support.<sup>2</sup> For Carriers serving tribal lands and Alaska Native regions (Covered Locations), a CETC must file its line count data for Covered Locations on a separate FCC Form 525. Further, each time a CETC files line count data for a Covered Location it must file a letter with USAC certifying that the lines qualify for the exception. For CETCs filing cost data, the Commission has not yet received approval from the Office of Management and Budget (OMB) to collect CETC cost data pursuant to this exception.

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<sup>1</sup> See *Small Entity Compliance Guide, Interim Cap on High-Cost Universal Service Support for Competitive Eligible Telecommunications Carriers*, Order FCC 08-122, WC Docket No. 05-337, CC Docket No. 96-45, (rel. May 1, 2008).

<sup>2</sup> See *In the Matter of High-Cost Universal Service Support*, Order, FCC 08-122 (2008) (*Interim Cap Order*).

- i2. **High Cost and Low Income Program Operations Transition Update.** Ms. Majcher presented this item to the Committee.
  
- i3. **2008 Low Income Program Participation Rate Study.** Ms. Majcher presented this item to the Committee.
  
- i4. **Low Income Program Certification and Verification Overview.** Ms. Majcher presented this item to the Committee.

On a motion duly made and seconded, the Committee adjourned at 2:58 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**HIGH COST & LOW INCOME COMMITTEE MEETING**

**August 24, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, August 24, 2009. Mr. Joe Gillan, Committee Vice Chair, called the meeting to order at 1:01 p.m. Eastern Time with a quorum of six of the seven Committee members present (there are two vacancies):

Barash, Scott – Acting CEO  
Boyle, Anne – *by telephone*  
Feiss, Geoff – *by telephone*

Gillan, Joe – *by telephone*  
Jortner, Wayne – *by telephone*  
Knowles, Rex – *by telephone*

Members of the Committee not present:

Lubin, Joel – Vice Chair

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

Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Majcher, Karen – Vice President, High Cost & Low Income Division  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Davis, Craig	USAC
Delmar, Teleshia	USAC
Hultquist, Mary	USAC
Mitchell, Jeff	USAC

NAME  
Nuzzo, Patsy

COMPANY  
USAC

**ACTION ITEMS:**

- a12. Action on 28 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports and Information on 29 Withdrawals.** Mr. Scott presented this item to the Committee.

Ms. Boyle expressed her continued concern over the costs of the FCC Office of Inspector General (OIG) USF audit program when compared to the minimal amount of recoveries. Mr. Barash stated that the new audit program USAC has recommended to the FCC should be more effective, less burdensome on support mechanism beneficiaries, and cost substantially less than the FCC OIG's USF audit program.

Mr. Mitchell stated that out of the 390 High Cost Support Mechanism beneficiary audits performed as part of Round 2 of the FCC OIG's USF audit program, 62 audit reports are still being completed and will then be submitted to the Committee for review. In addition, Mr. Mitchell stated that there should be at least 331 Round 3 audit reports to complete and review.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 28 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

On a motion duly made and seconded, the Committee adjourned at 1:17 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**October 1, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Thursday, October 1, 2009. Mr. Joel Lubin, Chair, called the meeting to order at 12:04 p.m. Eastern Time with a quorum of five of the seven Committee members present (there are two vacancies).

Barash, Scott – Acting CEO  
Feiss, Geoff – *by telephone*  
Jortner, Wayne – *by telephone*

Knowles, Rex – *by telephone*  
Lubin, Joel – Chair – *by telephone*

Members of the Committee not present:

Boyle, Anne  
Gillan, Joe – Vice Chair

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

Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Majcher, Karen – Vice President, High Cost & Low Income Division  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Davis, Craig	USAC
Delmar, Teleshia	USAC



NAME  
Nuzzo, Patsy

COMPANY  
USAC

**ACTION ITEMS:**

- a13. Action on 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 24 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a2. Action on 17 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 17 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

On a motion duly made and seconded, the Committee adjourned at 12:19 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
HIGH COST & LOW INCOME COMMITTEE MEETING**

**October 26, 2009**

**MINUTES**

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday October 26, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:31 p.m. Eastern Time, with a quorum of six of the seven members of the Committee present:

Barash, Scott – Acting CEO

Gillan, Joe – Vice Chair

Boyle, Anne

Knowles, Rex

Feiss, Geoff

Lubin, Joel – Chair

Members of the Committee not present:

Jortner, Wayne

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

Belden, Richard – Chief Operating Officer

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W. B. – Vice President of Finance and Assistant Treasurer

Majcher, Karen – Vice President, High Cost & Low Income Division

Ridley, Carolyn – Member of the Board

Scott, Wayne – Vice President of Internal Audit

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Bilodeau, Amanda	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Gelman, Sheryl	USAC
Gonzales, Veronica	USAC
Hopper, Melissa	USAC
Hultquist, Mary	USAC
Iversen, Eric	USAC
Nuzzo, Patsy	USAC
Rasmussen, Mary	USAC
Schrieber, Johnnay	USAC
Yee, Kim	FCC

**ACTION ITEMS:**

Mr. Lubin welcomed Mr. Scott Bergmann and Mr. Ellis Jacobs to the meeting and informed them that if they choose to vote on any items at today’s meeting, their votes must be ratified by USAC Board of Directors (Board) at its meeting tomorrow. (Messrs. Bergmann and Jacobs will be elected to the Board tomorrow and will automatically be appointed to the High Cost & Low Income Committee pursuant to FCC regulations as representatives of the commercial mobile radio service providers and low income consumers, respectively.)

- a14. Approval of High Cost & Low Income Committee Meeting Minutes of July 27, 2009, August 24, 2009, and October 1, 2009.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meetings July 27, 2009, August 24, 2009 and October 1, 2009. Messrs. Bergmann and Ellis did not vote on this item.
- a15. Approval of 1st Quarter 2010 High Cost and Low Income Support Mechanisms Programmatic Budgets and Information on the Estimated 2010 Annual Budgets.**

Mr. Barash informed the Committee that USAC staff has revised the budget approval resolutions, beginning with this meeting, to provide separate approvals for the amount of funds required for this quarter's program operations costs and a separate amount for program expenses submitted to the FCC for collection in the upcoming quarter.

Mr. Belden presented the High Cost Program budget to the Committee, noting that the proposed High Cost Program administration budget is \$38.7 million less than the 2009 budget. This reduction is primarily due to the in-sourcing of High Cost Program operations from Telcordia, Inc. (a contractor that has been providing these services since April 2003) and replacement of the FCC Office of Inspector General (OIG) USF audit program with the proposed USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and the Improper Payments Information Act (IPIA) assessment program.

In response to a question from Mr. Lubin concerning allocation of common costs to the High Cost Program, Mr. Belden explained the methodology for allocating USAC common costs to the programs.

Mr. Belden then presented the Low Income Program budget to the Committee, noting that the proposed budget is \$900,000 less than the 2009 budget, primarily due to the in-sourcing of Low Income Program operations from Telcordia. Mr. Belden also noted that the proposed budget includes ramp-up costs for the proposed BCAP and IPIA assessment program.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2010 programmatic budget for the High Cost Support Mechanism of \$2.9 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$2.9 million for High Cost Support Mechanism administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Committee; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2010 programmatic budget for the Low Income Support Mechanism of \$0.4 million; and

**RESOLVED FURTHER**, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$0.4 million for Low Income Support Mechanism administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Committee.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a3. Approval of 1st Quarter 2010 High Cost and Low Income Support Mechanisms Demand Projections for the November 2, 2009 FCC Filing.** Ms. Majcher presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 26, 2009, a summary of the 1st Quarter 2010 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required November 2, 2009 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a4. Action on Four USAC Internal Audit Division High Cost Support Mechanism Limited Review Beneficiary Audit Reports.** Ms. Teleshia Delmar presented this item to the Committee.

On a motion duly made, seconded, and after discussion, the Committee adopted the following resolution with Mr. Bergmann abstaining from voting on this issue:

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism beneficiary audit reports labeled: HC2008LR004, HC2008LR005, HC2008LR010 and HC2008LR014, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such reports final.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a5. Action on One USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.** Ms. Teleshia Delmar presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit report labeled LI2008LR004, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such report final.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a6. Action on 22 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that after the Committee reviews these audit reports, there will be 16 remaining FCC OIG USF audit program Round 2 audit reports to review.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the 22 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports, as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a7. **Action on 15 High Cost Support Mechanism Beneficiary Performance Audit Reports.** Mr. Scott presented this item to the Committee, noting that these represent reports from Round 3 of the FCC OIG USF audit program.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 15 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports, as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

Messrs. Bergmann and Ellis also voted to approve the resolutions.

- a8. **Miscellaneous.** Solicit Ideas for the January 2010 Committee Agenda. Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the January 2010 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

**INFORMATION ITEMS:**

- i1. **High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee, noting that:
- USAC submitted the Local Switching Support (LSS) average schedule formula to the FCC on September 28, 2009. The formula will be effective for the 2010 calendar year.
  - USAC staff continues to run parallel validations and testing of the new High Cost Program operations system in anticipation of retiring the legacy system by the end of October 2009.
  - Since the 3rd Quarter 2009 quarterly update, the FCC has not released any new orders affecting the High Cost Program or program beneficiaries.

- USAC staff has held three training sessions to assist companies with the process of filing the Low Income FCC Form 497 online. More than 350 company representatives participated in these sessions. USAC has received approximately 450 online submissions as of mid-September.
- Round 2 of the FCC Office of Inspector General (OIG) USF audit program consisted of 390 audits. As of September 15, 2009, 385 final audit reports have been reviewed by quality assurance personnel. USAC staff have initiated review and responded to 29 of the 323 Round 3 FCC OIG USF audit program audits. As of September 15, 2009, 322 preliminary draft reports had been delivered by the audit firms.

i2. **High Cost and Low Income Transition Update.** Ms. Majcher presented this item to the Committee, noting that the transition of program operations support from Telcordia to USAC in-house staff is well underway with projected completion in late November 2009.

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.**

On a motion duly made and seconded, the Committee adjourned at 3:04 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**HIGH COST & LOW INCOME COMMITTEE MEETING**

**November 20, 2009**

**MINUTES**

A meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, November 20, 2009. Mr. Joel Lubin, Committee Chair, called the meeting to order at 12:03 p.m. Eastern Time, with a quorum of seven of the nine Committee members present:

Barash, Scott – Acting CEO  
Bergmann, Scott – *by telephone*  
Boyle, Anne – *by telephone*  
Feiss, Geoff – *by telephone*

Jacobs, Ellis – *by telephone*  
Knowles, Rex – *by telephone*  
Lubin, Joel – Chair – *by telephone*

Members of the Committee not present:

Gillan, Joe – Vice Chair  
Jortner, Wayne

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

Belden, Richard – Chief Operating Officer  
Capozzi, David – Acting General Counsel and Assistant Secretary  
Majcher, Karen – Vice President, High Cost & Low Income Division  
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ahn, Shane	USAC
Amalfitano, Vince	FCC – <i>by telephone</i>
Davis, Craig	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC

**ACTION ITEMS:**

**a16. Action on Nine Round 2 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the nine High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports, as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

**a2. Action on 52 Round 3 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee having reviewed the 52 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports, as listed in Exhibit 1 to this issue paper and attached hereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

**a3. Action on One Low Income Beneficiary Audit Report.** Ms. Teleshia Delmar presented this item to the Committee.

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

**RESOLVED**, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit report labeled LI2008LR003, together with management's responses thereto, hereby accepts the recommendation of USAC management and deems such report final.

On a motion duly made and seconded, the Committee adjourned at 12:17 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary