

# 2005 Schools and Libraries Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**January 24, 2005**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Monday, January 24, 2005. Mr. Brian Talbott, Chair of the Schools & Libraries Committee, called the meeting to order at 8:40 AM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Six of the seven members were present, representing a quorum:

Baker, Dave

Bryant, Anne – Vice Chair

Campbell, Anne

Jackson, Jimmy – *by telephone*

Talbott, Brian – Chair

Zaina, Lisa – CEO

Other Board Members and Officers of the Corporation present: Buller, Karen, USAC Board Member

Duff, Bridget, USAC Board Member

Eichler, Ed, USAC Board Member

Barash, D. Scott – VP and General Counsel

Blackwell, Mel, VP, Rural Health Care and External Communications

Carmichael, Mark – Assistant Treasurer; VP, Finance and Financial Operations

Flannery, Irene – VP, High Cost & Low Income Division

Haga, Robert – Assistant Secretary; VP, Strategic Planning and Operations

McDonald, George – VP, Schools and Libraries Division

Scott, Wayne, VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Beach, Cynthia	USAC
Das, Soma	USAC
Falkowitz, Ed	USAC
Fitzgerald, Sara	Funds for Learning
Goff, Liz	USAC
Heend, Orin	Funds for Learning
Hughes, Jeff	USAC
Kaplan, Peter	Funds for Learning
Klaffky, John	BearingPoint
Kraft, Mick	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
McCrone, Tina	USAC
Miller, Linda	USAC
Nadel, Mark	FCC
Noran, John	USAC
Ortman, Roxanne	USAC
Parry, John	NSI
Pomponia, Carol	FCC
Rivera, Robert	Spectrum Communications
Spiller, Bob	USAC
Walker, Andy	BearingPoint

**ACTION ITEMS:**

- a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as revised, of the USAC Schools & Libraries Committee meetings of October 18, 2004 and November 4, 2004.
- a2. **Annual Election of Committee Chair and Vice Chair.** Ms. Zaina introduced this item to the Committee. Committee members nominated Anne Campbell to serve as Chair and Anne Bryant to remain Vice Chair of the Committee.

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

**RESOLVED**, That the Schools & Libraries Committee recommends that the USAC Board of Directors elect **Ms. Anne Campbell** as Chair and **Ms. Anne Bryant** as Vice Chair of the Schools & Libraries Committee for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting.

- a3. Consideration of Approval of Extension of the Existing Program Support Services Agreement with NSI – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC’s procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC’s negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that discussion of the consideration of program services contract extension for the Schools and Libraries and Rural Health Care Support Mechanisms shall be conducted in *Executive Session*.

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

- a4. Approval of 2005 Annual and 2<sup>nd</sup> Quarter Schools & Libraries Programmatic Budget.** Mr. McDonald introduced this item to the Committee and identified key components of the proposed budget, including costs associated with audits, the site visit initiative, and education and communication.

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

**RESOLVED**, That the USAC Schools & Libraries Committee approves a 2<sup>nd</sup> Quarter 2005 budget for the Schools and Libraries Support Mechanism of \$16,044,700, and

**RESOLVED FURTHER**, That the USAC Schools & Libraries Committee approves a 2005 annual programmatic budget for the Schools and Libraries Support Mechanism of \$58,717,700.

- a5. Approval of 2<sup>nd</sup> Quarter 2005 Schools and Libraries Support Mechanism Projections and Resolution on the January 31, 2005, FCC Filing.** Mr. McDonald introduced this item and summarized the Schools & Libraries Support Mechanism funding demand projections for 2<sup>nd</sup> Quarter 2005.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed at its meeting on January 24, 2005, a summary of the 2<sup>nd</sup> Quarter 2005 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 31, 2005, filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million

- a6. Action on Sixteen Schools & Libraries Support Mechanism Beneficiary Audit Reports.** Mr. Chris Lenhardt presented the results of the audits. Committee members noted that the results of the

audits were positive.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the 16 USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2004BE010, SL2004BE011, SL2004BE012, SL2004BE013, SL2004BE014, SL2004BE015, SL2004BE016, SL2004BE017, SL2004BE018, SL2004BE019, SL2004BE020, SL2004BE021, SL2004BE022, SL2004BE023, SL2004BE024 and SL2004BE025 together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

- a7. **Action on Two Schools & Libraries Support Mechanism Operation Audit Reports – Confidential & Proprietary – *Executive Session Recommended***. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that the audit reports be discussed in ***Executive Session*** because discussion of the reports relate to specific internal controls, and/or confidential company data that would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

**RESOLVED**, That the USAC Schools and Libraries Committee determines that discussion of the USAC Internal Audit Division Schools and Libraries Support Mechanism operational audit reports labeled SL2004OP048 and US2004OP002 shall be conducted in ***Executive Session***.

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

- a8. **Action on One FCC OIG Schools & Libraries Mechanism Beneficiary Audit Report**. Mr. Scott presented the results of the report to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the Federal Communications Commission, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2004BE049 together with management's response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

- a9. **Action on Schools & Libraries Support Mechanism KPMG LLP Agreed-Upon Procedures Summary Audit Report**. Mr. Scott presented the results of the report to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the KPMG LLP Schools and Libraries Support Mechanism Summary agreed-upon procedures beneficiary audit

report labeled SL2004BE050 together with management's response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

Board member Christensen joined the meeting during discussion of this item.

**a10. Action on Two Internal Audit Division Follow-Up Audits on Audits Performed by KPMG.** Ms. Tina McCrone presented the results of audits to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Follow-Up Audit Reports labeled SL2004FL026 and SL2004FL027, recommends to the USAC Audit Committee that each such audit report be deemed final.

**a11. Approval of Proposed Plan for Beneficiary Audits of the Schools & Libraries Support Mechanism for Inclusion in the 2005/2006 USAC Internal Audit Plan – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash suggested that such a discussion be conducted in *Executive Session*. The basis for discussing such matters in *Executive Session* is that a discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that discussion of the proposed plan for beneficiary audits of the Schools and Libraries Support Mechanism for inclusion in the 2005/2006 USAC Internal Audit Plan shall be conducted in *Executive Session*.

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

**a12. Solicit Ideas for April 2005 Committee Agenda.** Mr. Talbott reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting Ms. Campbell or Mr. McDonald between quarterly meetings.

#### **INFORMATION ITEMS:**

**i1. Schools & Libraries Support Mechanism Update.** Mr. McDonald and his staff provided the Committee with an update regarding recent program activities including the eligible products database, outreach, forms, the site visit initiative, and invoice processing. The Committee also discussed an error contained in the recently distributed letter to the field regarding the FY2005 filing window dates and determined to extend the filing window to avoid disadvantaging applicants who might have relied on the erroneous information.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that, contingent upon FCC approval, the closing of the Funding Year 2005 Form 471 filing window for the Schools and Libraries Universal Service Support Mechanism shall be extended by one day, closing on February 18, 2005.

- i2. **Report on Legislative and Media Activity** – Mr. Blackwell provided the Committee with an update on recent legislative and media activity since the last Committee meeting..

At 10:07 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

**EXECUTIVE SESSION:**

- a7. **Action on Two Schools & Libraries Support Mechanism Operation Audit Reports.** Mr. Scott introduced this item to the Committee and described the audit of the invoicing process and of customer service activities. Committee members discussed the audit reports extensively and expressed concerns regarding customer service. Mr. John Parry, President and CEO, NECA Services, Inc., discussed the invoicing process. The Committee directed staff to report on the operational issues raised in the reports at its next quarterly meeting.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Audit Reports labeled SL2004OP048 and US2004OP002 together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

Mr. Parry was then excused from the meeting.

- i3. **Consideration of Program Services Contract Extension for the Schools and Libraries and Rural Health Care Support Mechanisms.** Mr. McDonald introduced this item to the Board. Ms. Zaina explained the rationale for extending the current contract with NSI. An extension is appropriate to ensure enough time to successfully complete a competitive procurement process and to complete any transition that would be necessary. Mr. Barash discussed the status of discussions regarding the terms of a possible extension.

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

**RESOLVED**, That the USAC Schools & Libraries Committee recommends that the USAC Board of Directors approve an extension to the current services contract with NECA Services, Inc. from July 1, 2005 through December 31, 2006 on mutually agreeable terms and conditions to be negotiated by USAC management.

- a11. **Approval of Proposed Plan for Beneficiary Audits of the Schools & Libraries Support Mechanism for Inclusion in the 2005/2006 USAC Internal Audit Plan.** Mr. Scott introduced this item and reviewed the details of the proposed beneficiary audits of the

Schools & Libraries Support Mechanism.

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

**RESOLVED**, That the USAC Schools & Libraries Committee approves the proposed plan for beneficiary and follow-up audits of the Schools & Libraries Support Mechanisms for 2005/2006 as presented by the USAC Internal Audit Division and recommends that the USAC Audit Committee include the proposed audits in the 2005/2006 USAC Internal Audit Plan.

- i4. **Miscellaneous.** At the Committee's request, USAC Schools and Libraries Division staff provided the Committee with an update on the status of funding requests and invoices associated with two service providers.

The Committee adjourned from **Executive Session** and reconvened in open session at 11:41 a.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Talbott adjourned the meeting at 11:45 a.m.

\_\_\_\_\_/s/ Robert W. Haga\_\_\_\_\_

Robert W. Haga

Assistant Secretary

\_\_\_\_\_April 18, 2005\_\_\_\_\_

Date



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**January 25, 2005**

**MINUTES**

A special meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Tuesday, January 25, 2005. Mr. Brian Talbott, Chair of the Schools & Libraries Committee, called the meeting to order at 11:36 AM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. All seven members were present, representing a quorum:

Baker, Dave

Bryant, Anne – Vice Chair

Campbell, Anne

Christensen, Doug – *by telephone*

Jackson, Jimmy – *by telephone*

Talbott, Brian – Chair

Zaina, Lisa – CEO

Other Board Members and Officers of the Corporation present:

Askin, Jonathan, USAC Board Member – *by telephone*

Banks, Jonathan, USAC Board Member

Buller, Karen, USAC Board Member

Cornell, Diane, USAC Board Member – *by telephone*

Duff, Bridget, USAC Board Member

Eichler, Ed, USAC Board Member

Hess, Kevin, USAC Board Member

Hughes, Alison, USAC Board Member

Jortner, Wayne, USAC Board Member

Sanders, Jay, USAC Board Member

Sanford, Jo Anne, USAC Board Member

Barash, D. Scott – Vice President and General Counsel

Blackwell, Mel – VP, Rural Health Care and External Communications

Carmichael, Mark – Assistant Treasurer; VP, Finance and Financial Operations

Flannery, Irene – VP, High Cost & Low Income

Haga, Robert – Assistant Secretary; VP, Strategic Planning and Operations

McDonald, George – VP, Schools and Libraries Division

Scott, Wayne, VP, Internal Audit Division

Others present for the meeting:

NAME

COMPANY

Bancroft, Royce	USAC
Beach, Cyndi	USAC
Divak, Helen	Telcordia
Faunce, Donna	USAC
Gallant, Pam	USAC
Gumper, Frank	Verizon
Lamoureux, Renee	USAC
Majcher, Karen	USAC
Miller, Linda	USAC
Mitchell, Jeffrey	USAC
Malebranche, S.	Telecordia
Ordan, Robert	Knight Nets, Inc.

**ACTION ITEMS:**

- a1. **Approval of 2<sup>nd</sup> Quarter 2005 Schools and Libraries Support Mechanism Projections and Resolution on the January 31, 2005, FCC Filing.** The Schools & Libraries Committee reconvened in a special session and adopted a resolution revising and superceding the support mechanism demand estimates and **DIRECTED** USAC Management to proceed with the required January 31, 2005, filing to the FCC

There being no further business, Mr. Talbott adjourned the meeting at 11:39 AM.

\_\_\_\_\_/s/ Robert W. Haga

Robert W. Haga

Assistant Secretary

\_\_\_\_\_/ April 18, 2005

Date

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**April 18, 2005**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Monday, April 18, 2005. Ms. Anne Campbell, Chair of the Schools & Libraries Committee, called the meeting to order at 8:35 AM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Five of the seven members were present, representing a quorum:

Baker, Dave

Campbell, Anne - Chair

Jackson, Jimmy

Talbott, Brian

Zaina, Lisa – CEO

Other Board Members and Officers of the Corporation present: Buller, Karen, USAC Board Member

Eichler, Ed, USAC Board Member

Barash, D. Scott – VP and General Counsel

Blackwell, Mel, VP, Rural Health Care and External Communications

Flannery, Irene – VP, High Cost & Low Income Division

Haga, Robert – Assistant Secretary; VP, Strategic Planning and Operations

McDonald, George – VP, Schools and Libraries Division

Scott, Wayne, VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Bancroft, Royce	USAC
Beach, Cynthia	USAC
Das, Soma	USAC
Falkowitz, Ed	USAC

NAME	COMPANY
Goff, Liz	USAC
Hughes, Jeff	Funds for Learning
Kaplan, Peter	BearingPoint
Klaffky, John	USAC
Kraft, Mick	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
Noran, John	USAC
Ortman, Roxanne	USAC
Pomponia, Carol	FCC
Spiller, Bob	USAC
Walker, Andy	BearingPoint

**ACTION ITEMS:**

- a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as revised, of the USAC Schools & Libraries Committee meetings of January 24 and 25, 2004.
- a2. Action on Schools & Libraries Support Mechanism KPMG LLP Agreed-Upon Procedures Audit Report.** Mr. Scott presented the results of the audit to the Committee.

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

**RESOLVED,** That the USAC Schools & Libraries Committee, having reviewed the KPMG LLP Schools and Libraries Support Mechanism agreed-upon procedures beneficiary audit report labeled SL2004BE047 together with management’s response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

- a3. Action on One Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Report.** Mr. Lenhardt presented the results of audits to the Committee.

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

**RESOLVED,** That the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Audit Report labeled SL2005IV001, together with management’s response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

- a4. **Approval of 3rd Quarter Schools & Libraries Programmatic Budget.** Ms. Faunce introduced this item to the Committee and identified key components of the proposed budget, including costs associated with audits, the site visit initiative, and education and communication.

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

**RESOLVED**, That the USAC Schools & Libraries Committee approves a 3<sup>rd</sup> Quarter 2005 budget for the Schools and Libraries Support Mechanism of \$17,431,800, and

**RESOLVED FURTHER**, That the USAC Schools & Libraries Committee approves a revised 2005 annual programmatic budget for the Schools and Libraries Support Mechanism of \$62,160,600.

- a5. **Approval of 3rd Quarter 2005 Schools and Libraries Support Mechanism Projections and Resolution on the May 2, 2005, FCC Filing.** Mr. McDonald introduced this item and summarized the Schools & Libraries Support Mechanism funding demand projections for 2nd Quarter 2005.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed at its meeting on April 18, 2005, a summary of the 3<sup>rd</sup> Quarter 2005 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required May 2, 2005, filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a6. **Approval of Final Pricing of Partial Exercise of Option to Modify the Term of the Rural Health Care and Schools and Libraries Support Services Agreement – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

**RESOLVED**, That the USAC Schools and Libraries Committee determines that discussion of final approval of partial exercise of option to modify the term of the Rural Health Care and

Schools and Libraries program support services agreement shall be conducted in ***Executive Session***.

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

- a7. **Solicit Ideas for July 2005 Committee Agenda.** Ms. Campbell reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting her or Mr. McDonald between quarterly meetings.

**INFORMATION ITEMS:**

- i1. **Schools & Libraries Support Mechanism Update.** Mr. McDonald and his staff provided the Committee with an update regarding recent program activities including status of appeals and a review of the demand estimate.
- i2. **Report on Operational Issues Raised in S&L Support Mechanism Operational Audit Report.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that discussion of this item be conducted in ***Executive Session*** because discussion of specific internal controls and/or audit procedures would constitute a “[d]iscussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.”

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that the discussion of Schools and Libraries Support Mechanism changes to improve invoice processing and address audit findings be conducted in ***Executive Session***.

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

- i3. **Status Report on Expanded Outreach Initiative.** Mr. McDonald introduced representatives from BearingPoint who provided the Committee with a summary of their work thus far related to site visits. The Committee requested that BearingPoint provide a presentation to the full Board at its July meeting.
- i4. **Legislative and Media Update.** Mr. Blackwell provided the Committee with an update on recent legislative and media activity since the last Committee meeting.
- i5. **Status Report on Actions Taken on Final Audits of the Schools and Libraries Support Mechanism.** Mr. Scott provided the status of actions taken.

At 10:30 a.m., on a motion duly made and seconded, the Committee voted to move into ***Executive Session*** for purposes of discussing the confidential and proprietary items as noted above.

**EXECUTIVE SESSION:**

- a6. Approval of Final Pricing of Partial Exercise of Option to Modify the Term of the Rural Health Care and Schools and Libraries Support Services Agreement – Confidential & Proprietary.** Mr. Barash provided the Committee with a summary of the terms and conditions of the partial exercise of the priced option provision of the contract for program support services.

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

**RESOLVED**, That the USAC Schools and Libraries Committee hereby approves the final pricing as presented by USAC management of the partial exercise of USAC's option to modify the term of the Rural Health Care and Schools and Libraries program support services agreement with NECA Services, Inc. to conclude on December 31, 2006.

- i2. Report on Operational Issues Raised in S&L Support Mechanism Operational Audit Report.** Mr. McDonald introduced this item to the Board providing a status report on improvements made to the current invoicing process. The Board requested an update at the July 2005 meeting.

The Committee adjourned from **Executive Session** and reconvened in open session at 10:55 a.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Ms. Campbell adjourned the meeting at 10:56 a.m.

/s/ D. Scott Barash

D. Scott Barash, Assistant Secretary

July 18, 2005

Date

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**July 18, 2005**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Monday, July 18, 2005. Ms. Anne Bryant, Vice Chair of the Schools & Libraries Committee, called the meeting to order at 9:01 AM Eastern Time. Mr. Don Short, Administrative Assistant - SLD, called the roll. Five of the seven members were present, representing a quorum:

Baker, Dave

Bryant, Anne – Vice Chair

Jackson, Jimmy

Talbott, Brian

Zaina, Lisa – CEO

Other Board Members and Officers of the Corporation present:

Buller, Karen, USAC Board Member

Eichler, Ed, USAC Board Member

Barash, D. Scott – VP and General Counsel

Blackwell, Mel, Acting VP, Schools & Libraries Division

Flannery, Irene – Senior VP, Programs

Belden, Richard – Chief Operating Officer

Scott, Wayne, VP, Internal Audit Division



Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cynthia	USAC
Bellavia, Leslie	USAC
Capozzi, Dave	USAC
Carroll, Kristy	USAC
Das, Soma	USAC
Falkowitz, Ed	USAC
Goff, Liz	USAC
Hill, William	FCC
Hughes, Jeff	USAC
Klaffky, John	BearingPoint
Kraft, Mick	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
Mitchell, Jeff	USAC
Murphy, Kristin	USAC
Noran, John	USAC
Okudaira, Nobuko	USAC
Ortman, Roxanne	USAC
G. Perez	EES
Richter, Robert	IBM
Rivera, Robert	Spectrum
Robinson, Vickie	FCC
Rodriquez, Jose	FCC
Schatz, Linda	EdTech Strategies
Shake, Sally	SAIC
Spiller, Bob	USAC
Steinmetz, Charles	(None)
Sullivan, Tanya	USAC
Walker, Andy	BearingPoint
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as revised, of the USAC Schools & Libraries Committee meetings of April 18, 2005 and April 28, 2005.

- a2. **Action on Schools & Libraries Eligible Products Database Pilot Program.** Mr. Blackwell presented the report to the Committee. Discussion centered around the overall eligibility of items appearing in the database. Committee members expressed concerns regarding the size and complexity of the list, the number of manufacturers involved, and the validity of the database. Ms. Flannery pointed out that the database is related to the Eligible Services List and that eligibility is always an issue with both. The Committee called for a monitoring system to track the progress of the pilot program. Mr. Gieseler said that the next report to the Board would be approximately one year and that software to track the progress is being reviewed.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed "Status Report: Eligible Products Database Pilot Program" at its meeting on July 18, 2005, hereby directs USAC management to submit this report to the Federal Communications Commission in compliance with directives in the Second Report and Order and Further Notice of Proposed Rulemaking in Docket 02-6 (rel. April 30, 2003).

- a3. **Approval of 4th Quarter 2005 Schools and Libraries Support Mechanism Programmatic Budget.** Ms. Faunce introduced this item to the Committee and identified key components of the proposed budget, including costs associated with audits, the site visit initiative, and education and communication. In response to a question regarding a higher than usual bad debt expense line item, Ms. Faunce and Mr. Rodda explained that dollars for pending commitment adjustments are 100% held in reserve as required by Government Accounting Standards and Antideficiency Act requirements and shown as bad debts until resolved.

In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that further discussion of this item be conducted in **Executive Session** because discussion of certain items concerns predecisional matters currently before the FCC and also that public discussion would compromise the continued applicability of the attorney-client privilege.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that further discussion of the 4<sup>th</sup> Quarter 2005 Schools and Libraries Support Mechanism Programmatic Budget shall be conducted in **Executive Session**.

See **Executive Session** for a report of this discussion and action.

- a4. **Approval of 4th Quarter 2005 Schools and Libraries Support Mechanism Projections and Resolution on the August 2, 2005, FCC Filing.** Mr. Blackwell introduced this item and summarized the Schools & Libraries Support Mechanism funding demand projections for 4th Quarter 2005.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed at its meeting on July 18, 2005, a summary of the 4<sup>th</sup> Quarter 2005 support mechanism demand

estimates, including administrative costs, hereby directs USAC management to proceed with the required August 2, 2005, filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a5. Action on One Schools and Libraries Support Mechanism Beneficiary Audit Report.** Mr. Scott presented the results of audits to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Audit Report labeled SL2005FL002, together with management's response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

**Action on Schools & Libraries Support Mechanism KPMG LLP Agreed-Upon Procedures Audit Report.** Mr. Scott presented the results of the audit to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the KPMG LLP Schools and Libraries Support Mechanism agreed-upon procedures beneficiary audit report labeled SL2004OP004 together with management's response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

- a6. Action on One Schools and Libraries Support Mechanism Operational Audit Report.** Mr. Scott presented the results of the audit to the Committee. Mr. Blackwell commented that all of the items in the report marked as high priority are currently being addressed. Mr. Blackwell stated that a proposal for a new personal identification number (PIN) system was being reviewed and that the implementation of the PIN system was critical to reducing the number of paper forms submitted to USAC.

- a7. Solicit Ideas for October 2005 Committee Agenda.** Items suggested for the next meeting were:

- A progress report on the education, communications, and outreach effort, and
- A status report on the Eligible Products Database/Eligible Services List.

#### **INFORMATION ITEMS:**

- i1. Schools & Libraries Support Mechanism Update.** Mr. Blackwell provided the Committee with an update regarding recent program activities, including status of appeals and a review of the demand estimate.
- i2. Report on Operational Improvements in the Schools and Libraries Support Mechanism Invoicing Process.** Mr. Blackwell reported on the improvement in the invoicing process. Mr. Blackwell restated that the goal is to pay all invoices within thirty days of receipt.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that the discussion of Schools and Libraries Support Mechanism changes to improve invoice processing and address audit findings be conducted in **Executive Session**.

- i3. **Schools and Libraries Support Mechanism Timeline and Key Dates.** Mr. Blackwell reported that USAC is considering a change to the usual November window opening date for Funding Year 2006 because only ten percent (10%) of all FCC Form 471 filings occur between November and the first week in January. He further stated that he would need additional time to fully investigate the merits of a change. Ms. Zaina indicated that continued outreach and education could speed up the filings.

At 10:00 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above. The Committee directed that only Board members, officers and counsel be present for consideration of the following agenda item:

**EXECUTIVE SESSION:**

- a.3. **Approval of 4th Quarter 2005 Schools and Libraries Support Mechanism Programmatic Budget.** The Committee consulted with counsel and engaged in an extensive discussion of Schools and Libraries Support Mechanism budgetary issues and FCC staff reviews of proposed efforts to streamline the operations of the program.

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

**RESOLVED**, That the USAC Schools & Libraries Committee approves a 4<sup>th</sup> Quarter 2005 budget for the Schools and Libraries Support Mechanism of \$5,648,200 and

**RESOLVED FURTHER**, That the USAC Schools & Libraries Committee approves a revised 2005 annual programmatic budget for the Schools and Libraries Support Mechanism of \$52,860,600.

The Committee adjourned from **Executive Session** and reconvened in open session at 11:32 a.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Dr. Talbott adjourned the meeting at 11:34 a.m.

\_\_\_\_\_/s/ D. Scott Barash

D. Scott Barash, Assistant Secretary

\_\_\_\_\_  
October 24, 2005

Date

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**August 17, 2005**

**MINUTES**

A special meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Wednesday, August 17, 2005. Ms. Anne Campbell, Chair of the Schools & Libraries Committee, called the meeting to order at 3:08 PM Eastern Time. Mr. Don Short, Administrative Assistant, called the roll. Five of the seven members were present, representing a quorum:

Baker, Dave - *by telephone*

Bryant, Anne - Vice Chair – *by telephone*

Campbell, Anne – Chair - *by telephone*

Christensen, Doug - *by telephone*

Jackson, Jimmy – *by telephone*

Other Board Members and Officers of the Corporation present:

Barash, D. Scott – Assistant Secretary, VP and General Counsel

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division – *by telephone*

Flannery, Irene – Senior VP of Programs

Others present for the meeting:

NAME	COMPANY
Carroll, Kristy	USAC
Kaplan, Peter	Funds for Learning
Lamoureux, Renee	USAC
Short, Don	USAC
Trew, Anne Marie	USAC
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Authority for Priority 2 Funding Commitments at 87 Percent for Funding Year 2005.** Mr. Blackwell introduced this item to the Committee, providing a summary of the analysis provided as justification for setting the funding parameter for Priority 2 services at 87 percent.

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

**RESOLVED**, That the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2005 with the parameters set at 20 percent for Priority 1 services and at 87 percent for Priority 2 services.

There being no further business, Ms. Campbell adjourned the meeting at 3:10 PM.

\_\_\_\_\_ D. Scott Barash

D. Scott Barash, Assistant Secretary

\_\_\_\_\_ October 24, 2005

Date

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**October 24, 2005**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC on Monday, October 24, 2005. Ms. Anne Campbell, Chair of the Schools & Libraries Committee, called the meeting to order at 9:03 AM Eastern Time. Mr. Don Short, Administrative Assistant - SLD, called the roll. Six of the seven members were present, representing a quorum:

Baker, Dave

Bryant, Anne – Vice Chair – *by telephone*

Campbell, Anne - Chair

Jackson, Jimmy – *by telephone*

Talbott, Brian

Zaina, Lisa – CEO

Other Board Members and Officers of the Corporation present: Buller, Karen - USAC Board Member

Duff, Bridget - USAC Board Member

Eichler, Ed - USAC Board Member

Barash, D. Scott – VP and General Counsel

Belden, Richard – Chief Operating Officer

Blackwell, Mel - Acting VP, Schools & Libraries Division

Erwin, WB – VP of Finance

Flannery, Irene – Senior VP, Programs

Holcombe, Jamie – VP of Information Systems

Scott, Wayne, VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cynthia	USAC
Bellavia, Leslie	USAC
Capozzi, Dave	USAC
Carroll, Kristy	USAC
Das, Soma	USAC
Falkowitz, Ed	USAC
Goff, Liz	USAC
Gumper, Frank	Consultant
Hill, William	FCC
Hughes, Jeff	USAC
Kraft, Mick	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
Mitchell, Jeff	USAC
Murphy, Kristin	USAC
Noran, John	USAC
Okudaira, Nobuko	USAC
Ortman, Roxanne	USAC
Rivera, Robert	Spectrum
Robinson, Vickie	FCC
Rodriquez, Jose	FCC
Schatz, Linda	EdTech Strategies
Shake, Sally	SAIC
Spiller, Bob	USAC
Sullivan, Tanya	USAC
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the USAC Schools & Libraries Committee meetings of July 18, 2005 and August 17, 2005.
- a2. **Approval of 1st Quarter 2006 Schools and Libraries Support Mechanism Programmatic Budget.** Ms. Faunce introduced this item to the Committee and identified key components of the proposed budget, including costs associated with audits, the site visit initiative, and education and communication.



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

**RESOLVED**, That the USAC Schools & Libraries Committee approves a 1st Quarter 2006 budget for the Schools and Libraries Support Mechanism of \$12,422,200.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed at its meeting on October 24, 2005, a summary of the 1st Quarter 2006 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required November 2, 2005, filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than \$10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than \$10.0 million but no more than \$15.0 million.

- a3. Approval of Funding Year 2006 Application Window.** Mr. Blackwell discussed the status of the filing window and the delay in the release of the Eligible Services List.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed at its meeting on October 24, 2005, management's proposal for the Funding Year 2006 FCC Form 471 filing window for the Schools and Libraries Universal Service Support Mechanism, hereby directs USAC management to determine the actual application filing window dates with an opening date as soon as possible after the FCC issues a Public Notice releasing the final eligible services list for Funding Year 2006 and a closing date that allows for an application filing period of 70 days.

- a4. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Investigative Audit – Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that the audit report be discussed in *Executive Session* because discussion of the report relates to investigatory matters, or pending or contemplated enforcement action, and public disclosure of the matters discussed therein could compromise law enforcement efforts.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that discussion of the audit report of Schools and Libraries Universal Service Support Mechanism beneficiary labeled SL2004IV063 shall be conducted in *Executive Session*.

- a5. **Action on Eleven KPMG LLP Schools & Libraries Support Mechanism Beneficiary Audit Reports.** Mr. Scott presented the results of the audit to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the 11 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled SL2004BE029, SL2004BE030, SL2004BE031, SL2004BE032, SL2004BE033, SL2004BE038, SL2004BE040, SL2004BE042, SL2004BE044, SL2005BE023 and SL2005BE025 together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

- a6. **Action on Three Schools and Libraries Support Mechanism Beneficiary Audits Performed by Department of Interior, Office of Inspector General.** Mr. Scott informed the Committee that information recently received calls into question whether this audit work was performed in accordance with Government Accounting Standards. Mr. Scott advised he expected to bring these reports to the Committee for approval at the January meeting.

- a7. **Consideration of Program Services Contract Extension for the Schools and Libraries Support Mechanism – Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that the audit report be discussed in ***Executive Session*** because discussion of this matter relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the corporate and the Universal Service Fund.

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that discussion of the consideration of program services contract extension for the Schools and Libraries Universal Service Support Mechanism shall be conducted in ***Executive Session***.

- a8. **Solicit Ideas for January 2006 Committee Agenda.**

**INFORMATION ITEMS:**

- i1. **Schools & Libraries Support Mechanism Update.** Mr. Blackwell provided the Committee with an update regarding recent program activities, including status of appeals and a review of the demand estimate.
- i2. **Status Report on Eligible Products Database and Associated Online Item 21 Attachment.** Mr. Blackwell reported on the status of the Eligible Products Database and associated online Item 21 Attachment.

- i3. **Status Report on Ongoing Audits – Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that the audit report be discussed in **Executive Session** because discussion of specific audit plans, targets, and/or techniques would constitute a “discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.”

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

**RESOLVED**, That the USAC Schools & Libraries Committee determines that the discussion of this matter be conducted in **Executive Session**.

- i4. **Status Report on Actions Taken on Final USAC Audits.** Mr. Scott provided a summary related to follow-up action taken on audits performed.
- i5. **Report on the Implementation of Hurricane Katrina Special Relief.** Ms. Flannery provided a summary of the two orders released related to Hurricane Katrina Special Relief.

At 10:35 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

**EXECUTIVE SESSION:**

- a.5. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Investigative Audit – Confidential and Proprietary – Executive Session Recommended.** Mr. Chris Lenhardt presented this report to the Committee.

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

**RESOLVED**, That the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Investigative Report labeled SL2004IV063, together with management’s response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

- a8. **Consideration of Program Services Contract Extension for the Schools and Libraries Support Mechanism – Confidential and Proprietary – Executive Session Recommended.** Mr. Belden provided a status report on the current contract extension negotiations with the current vendor for program services.

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

**RESOLVED**, That the USAC Schools & Libraries Committee accepts the recommendation made by USAC staff to partially exercise an option in the current services contract with NECA Services, Inc. to extend the term from December 31, 2006 to December 31, 2007.

i3. **Status Report on Ongoing Audits – Confidential and Proprietary – *Executive Session Recommended.*** Mr. Scott provided information on an ongoing investigative audit.

The Committee adjourned from ***Executive Session*** and reconvened in open session at 11:15 a.m. to report the discussions and actions of the Committee during ***Executive Session***.

There being no further business, Ms. Campbell adjourned the meeting at 11:17 a.m.

\_\_\_\_\_/s/ D. Scott Barash\_\_\_\_\_

D. Scott Barash, Assistant Secretary