

# 2006 Schools and Libraries Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**January 23, 2006**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's office in Washington, DC on Monday, January 23, 2006. Ms. Campbell, Chair of the Schools & Libraries Committee, called the meeting to order at 9:03 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. All six members were present, representing a quorum:

Baker, Dave – *by telephone*

Barash, D. Scott – Acting CEO

Bryant, Anne – Vice Chair

Campbell, Anne, Chair – *by telephone*

Jackson, Jimmy – *by telephone*

Talbott, Dr. Brian

Other Board Members and Officers of the Corporation present:

Duff, Bridget

Eichler, Edwin

Erwin, W. B. – VP of Finance

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools & Libraries Division

Capozzi, Dave – Acting General Counsel

Flannery, Irene – Senior VP, Programs

Holcombe, Jamie – VP of Information Systems

McDonald, George – VP, Schools and Libraries Division

Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Barrett, Andrew	The Barrett Group
Bayona, Janet	USAC
Beach, Cyndi	USAC
Beasley, Marc	Baldwin Park USD
Carroll, Kristy	USAC
Das, Soma	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Bancroft, Royce	USAC
Everett, Beth	USAC
Lamoureux, Renee	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
McDonald, George	E-Rate Central
Melendez, Ginna	USAC
Mitchell, Jeff	USAC
Murphy, Kristin	USAC
Noran, John	USAC
Ortman, Roxane	USAC
Parker, Troy	USAC
Spiller, Bob	USAC
Tritt Schell, Julie	PA Dept of Education USAC
Sullivan, Tanya	USAC

**ACTION ITEMS:**

- a1. **Approval of Schools & Libraries Committee Meeting Minutes of Monday, October 24, 2005.** On a motion duly made and seconded, the Committee approved as written the minutes of Monday, October 24, 2005.
  
- a2. **Approval of 2006 Annual and 2nd Quarter 2006 Schools & Libraries Support Mechanism Programmatic Budget.** Ms. Faunce, USAC Senior Budget & Reporting Analyst, introduced this item indicating that no significant changes to the annual budget were being proposed at this time.

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

**RESOLVED**, that the USAC Schools & Libraries Committee approves a 2nd Quarter 2006 budget for the Schools and Libraries Support Mechanism of \$12,525,800, and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee approves a 2006 annual programmatic budget for the schools and Libraries Support Mechanism of \$51,644,800.

- a3. **Approval of 2nd Quarter 2006 Schools and Libraries Support Mechanism Projections and Resolution on the January 31, 2006 FCC Filing.** Mr. Blackwell introduced this item and asked Ms. Faunce to address questions regarding the Schools and Libraries Support Mechanism funding projections for the 2nd Quarter 2006.

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 23, 2006 a summary of the 2nd Quarter 2006 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required January 23, 2006 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.

- a4. **Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Beneficiary Review and Investigative 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. Capozzi recommended that discussion of this item be conducted in *Executive Session*. The basis for discussing such matters in *Executive Session* is that discussion of the reports 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 the discussion of the reports of Schools and Libraries Support Mechanism beneficiary labeled SL2005IV088 and SL2005LR091 shall be conducted in *Executive Session*.

- a5. **Action on One Schools and Libraries Support Mechanism Operational Audit Report – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi 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 USAC Internal Audit Division Schools and Libraries Support Mechanism operational audit report labeled SL2005OP092 shall be conducted in **Executive Session**.

At 9:15 a.m., on a motion duly made and seconded, the Board voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

**EXECUTIVE SESSION:**

**a5. Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Beneficiary Review and Investigative Reports.** Mr. Lenhardt, Senior Internal Auditor – Fraud Specialist, introduced the two reports 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 Reports labeled SL2005IV088 and SL2005LR091, together with management’s response thereto, recommends to the USAC Audit Committee that such reports be deemed final.

**a6. Action on One Schools and Libraries Support Mechanism Operational Audit Report.** Ms. Murphy, Senior Internal Auditor, introduced the audit 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 USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Audit Report labeled SL2005OP092, together with management’s responses thereto, recommends to the USAC Audit Committee that such report be deemed final.

The Committee adjourned from **Executive Session** and reconvened in open session at 9:43 a.m. Ms. Campbell then reported that the Committee in Executive Session adopted resolutions approving items **a5** and **a6** as listed above.

There being no further business, Ms. Campbell adjourned the meeting at 9:45 a.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**February 9, 2006**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Thursday, February 9, 2006. Mr. Barash, Acting Chief Executive Officer, called the meeting to order at 3:00 p.m. Eastern Time. Mr. Capozzi, Acting General Counsel, called the roll. Four of the six members were present, representing a quorum:

Bryant, Anne – *by telephone*

Campbell, Anne – *by telephone*

Talbott, Dr. Brian – *by telephone*

Barash, Scott – Acting CEO

Other Board members and Officers of the Corporation present: Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools & Libraries Division

Capozzi, David – Acting General Counsel

Mr. Barash informed the Committee members in attendance that even though the Committee presently does not have a Chair or Vice Chair, as their terms expired on January 24, 2006, a meeting of the Committee can occur as long as a quorum is present, which is the case for this meeting.

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Authority to Make Commitments for Priority 2 Services at a Discount Rate of 85 Percent and Above and Approval to Deny Requests for Priority 2 Services at or below 76 Percent for Funding Year 2005.** Mr. Blackwell introduced this item to the Committee and identified key components associated with the matter.

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

**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 and above for Priority 1 services and at 85 percent and above for Priority 2 services; and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 76 percent and below for Funding Year 2005 for lack of funding.

There being no further business, Ms. Campbell adjourned the meeting at 3:20 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**March 1, 2006**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC, on Wednesday, March 1, 2006. Mr. Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 5:20 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Six of the seven members were present, representing a quorum (there is currently one vacancy):

Baker, Dave – *by telephone*

Bryant, Anne – *by telephone*

Campbell, Anne – *by telephone*

Barash, Scott – Acting CEO

Jackson, Jimmy – *by telephone*

Talbott, Dr. Brian – *by telephone*

Other Board members and Officers of the Corporation present:

Banks, Jonathan – *by telephone*

Berlyn, Debra – *by telephone*

Duff, Bridget – *by telephone*

Hess, Kevin – *by telephone*

Jortner, Wayne – *by telephone*

Joseph, Kevin – *by telephone*

Kragel, Dr. Peter – *by telephone*



Lee, Jonathan – *by telephone*

Sanders, Dr. Jay – *by telephone*

Williams, Jason – *by telephone*

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Lamoureux, Renee	USAC

**ACTION ITEMS:**

- a1. Annual Election of Committee Chair and Vice Chair.** Mr. Barash introduced this item to the Committee reporting that the Nominating Committee met on February 24, 2006, and at that meeting approved resolutions recommending that, among other things, the Board elect committee chairs and vice chairs. Mr. Barash also noted that on March 1, 2006, immediately prior to the Committee meeting, the full Board of Directors elected the Chair and Vice Chair subject to ratification of the Committee, which is being sought in the proposed resolution.

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

**RESOLVED**, that the USAC Schools & Libraries Committee fully ratifies the actions of the USAC Board of Directors taken in a meeting on March 1, 2006 in electing **Anne Campbell** as Chair and **Anne Bryant** as Vice Chair of the USAC Schools & Libraries Committee, each for a term that began immediately following the conclusion of the meeting and ending when such person's successor has been elected or when such person resigns from the Schools & Libraries Committee or the Board, is removed by resolution of the Board or such person's Board term expires.

There being no further business, Mr. Barash adjourned the meeting at 5:21 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**April 3, 2006**

**MINUTES**

A meeting of the Schools & Libraries Committee of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Monday, April 3, 2006. Ms. Campbell, Chair of the Schools & Libraries Committee, called the meeting to order at 4:12 p.m. Eastern Time. Ms. Everett, Administrative Assistant – Finance, called the roll. Four of the six Committee members were present, representing a quorum:

Bryant, Anne – Vice Chair – *by telephone*

Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*

Talbott, Dr. Brian – *by telephone*

Members not present:

Baker, Dave

Barash, Scott – Acting CEO

Other Board Members and Officers of the Corporation present:

Banks, Jonathan

Blackwell, Mel – Acting VP, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

Flannery, Irene – Senior VP, External Relations

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Everett, Beth	USAC
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Authority to Make Commitments for Priority 2 Services at a Discount Rate of 81% and Above for Funding Year 2005.** Mr. Blackwell introduced this item to the Committee.

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 Federal Communications Commission staff approval, waves for Funding Year 2005 with the parameters set at 20 percent and above for Priority 1 services and at 81 percent and above for Priority 2 services.

- a2. **Approval of Authority to Make Commitments for Priority 1 Services at 20% and Above for Funding Year 2006.** Mr. Blackwell introduced this item to the Committee. Mr. Blackwell introduced this item to the Committee.

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 Federal Communications Commission approval, waves for Funding Year 2006 with the parameters set at 20 percent and above for Priority 1 services and set so that no commitments are made for Priority 2 services.

There being no further business, Ms. Campbell adjourned the meeting at 4:20 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**April 24, 2006**

**MINUTES**

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Monday, April 24, 2006. Ms. Anne Campbell, Chair of the Committee, called the meeting to order at 8:30 a.m. Eastern Time.

Ms. Campbell introduced Ms. Phyllis Simon and Dr. Peter Kragel and welcomed them to the Committee. Ms. Simon will be elected to the Schools and Libraries committee during the full board meeting on Tuesday, April 25th. Ms. Simon participated in the meeting via conference call.

Ms. Beth Everett, Administrative Assistant, followed the introductions by calling the roll. All six members of the committee were present, representing a quorum:

Baker, Dave

Barash, Scott – Acting CEO

Bryant, Dr. Anne – Vice Chair

Campbell, Anne – Chair

Jackson, Jimmy

Talbott, Dr. Brian

Other Board Members and Officers of the Corporation present:

Banks, Jonathan

Duff, Bridget – Secretary

Jortner, Wayne – *By Telephone*

Kragel, Dr. Peter

Talbott, Dr. Brian

Williams, Jason

Erwin, WB – VP of Finance

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools and Libraries Division and  
VP, Rural Health Care Division

Capozzi, Dave – Acting General Counsel

Flannery, Irene – Sr. VP, External Relations

Holcombe, Jamie – VP, Information Services

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cyndi	USAC
Bellavia, Leslie	USAC
Carroll, Kristy	USAC
Everett, Beth	USAC
Faunce, Donna	USAC
Fullwood, Leslie	USAC
Goff, Liz	USAC
Kaplan, Peter	Funds for Learning
Kraft, Michael	USAC
Lawhead, Merry	USAC
Lenhardt, Chris	USAC
McDonald, George	E-Rate Central
Melendez, Ginna	USAC
Mensah, Sophia	USAC
Mitchell, Jeff	USAC
Mitchell, Steven	USAC
Morrow, Henry	FCC
Myers, Erica	FCC
Noran, John	USAC
Ortman, Roxane	USAC
Padrex, John	Solix
Rasmussen, Mary	USAC

NAME	COMPANY
Richter, Bob	IBM
Rivera, Robert	Spectrum
Schatz, Linda	Edtech Strategies
Short, Don	USAC
Spiller, Bob	USAC
Schultz, Cynthia	USAC
Sullivan, Tanya	USAC
Trew, Anne Marie	USAC
Wening, Tony	IBM
Wilhelm, Tony	USAC

**ACTION ITEMS:**

- a1. **Approval of Schools & Libraries Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of January 23, 2006, February 9, 2006, March 1, 2006, and April 3, 2006.
- a2. **Approval of 3<sup>rd</sup> Quarter 2006 Schools & Libraries Support Mechanism Programmatic Budget.** Mr. Erwin introduced this item to the Committee and indicated that no significant changes to the annual budget were being proposed at this time.

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

**RESOLVED**, that the USAC Schools & Libraries Committee approves a 3<sup>rd</sup> Quarter 2006 budget for the Schools and Libraries Support Mechanism of \$12,899,000.

- a3. **Approval of 3<sup>rd</sup> Quarter 2006 Schools and Libraries Support Mechanism Demand Projection for the May 2, 2006 FCC Filing.** Mr. Blackwell introduced this item and asked Mr. Erwin to address questions regarding the Schools and Libraries Support Mechanism funding projections for the 3<sup>rd</sup> Quarter 2006.

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 24, 2006 a summary of the 3<sup>rd</sup> Quarter 2006 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required May 2, 2006 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.

- a4. **Consideration of Exercise of Contract Option with KPMG LLP to Conduct Schools and Libraries Program Beneficiary Audits – Confidential & Proprietary - *Executive Session Recommended*.** 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*. The basis for discussing such matters in Executive Session is that 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 Universal Service Fund, the universal service support programs and USAC. Moreover, certain matters discussed imply the ***attorney-client privilege***, and therefore, should not be discussed in open session.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that consideration of the exercise of the remaining contract option with KPMG LLP to conduct Schools & Libraries beneficiary audits for USAC shall be conducted in *Executive Session*.

- a5. **Approval of Revised 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. Capozzi recommended that discussion of this item 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 the discussion of specific details of the revised 2005/2006 USAC Internal Audit Plan shall be conducted in *Executive Session*.

- a6. **Action on One Schools and Libraries Support Mechanism Operational Audit Report – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session*. The basis for discussing such matters in Executive Session is that discussion of the report relates 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 & Libraries Committee determines that discussion of the USAC Internal Audit Division Schools and Libraries Support Mechanism operational audit report labeled SL2005OP099 shall be conducted in **Executive Session**.

- a7. **Action on Seven Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Reviews and Investigative 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. Capozzi recommended that discussion of this item be conducted in **Executive Session**. The basis for discussing such matters in Executive Session is that discussion of the reports 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 Schools and Libraries Universal Service Support Mechanism Beneficiary reports labeled SL2005LR089, SL2005LR093 through SL2005LR097, and SL2005IV098 shall be conducted in **Executive Session**.

- a8. **Action on Three Schools and Libraries Support Mechanism Beneficiary Audits Performed by the Department of the Interior Office of Inspector General – Executive Session Option.** Mr. Scott introduced this item to the Committee.

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

**RESOLVED**, that the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the Department of Interior, Office of Inspector General, Schools and Libraries Support Mechanism Beneficiary Audit Reports labeled SL2003BE139, SL2003BE140, and SL2003BE141 be deemed final.

- a9. **Action on Ten KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports – Executive Session Option.** Ms. Bellavia introduced this item to the Committee. Mr. Jackson requested that staff work with KPMG to develop a report format with streamlined verbiage.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed the 10 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled SL2004BE035, SL2005BE017, SL2005BE029, SL2005BE033, SL2005BE038, SL2005BE045, SL2005BE071, SL2005BE072, SL2005BE081, and SL2005BE085 together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.



**a10. Miscellaneous.**

- Solicit ideas for the July 2006 Committee agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting her or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

**i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell provided a status report on several Schools & Libraries matters including:

- For Funding Year 2006 USAC Filed its demand estimate with the FCC promptly as required.
- Usage of online tools is rising and has eliminated the data entry of over 30,000 paper forms and certifications in 2006 already.
- USAC responded quickly to the FCC's extended 2006 application filing window for applicants directly affected by Hurricane Katrina by posting comprehensive guidance for applicants on the USAC website within two weeks of the order.
- USAC has selected training sites for fall 2006, fully six months ahead of last year's schedule.
- Customer Service and Communications are continually being expanded through vehicles such as the weekly Schools and Libraries News Brief, which is distributed to over 21,000 program beneficiaries.

**i2. Update on Schools and Libraries Program Support Services Contract and 2006 Performance Agreement – 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. Capozzi recommended that discussion of this item be conducted in ***Executive Session***. The basis for discussing such matters in Executive Session is that 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 Universal Service Fund, the universal service support programs and USAC.

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 Program Support Services Contract and 2006 Performance Agreement shall be conducted in ***Executive Session***.

**i3. Update on Commitment Adjustments (COMADs) and Recoveries – 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. Capozzi recommended that discussion of this item be conducted in ***Executive Session***. The basis for discussing such matters in Executive Session is that this item relates to ***specific 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. In addition, this document discusses *pre-decisional matters* relating to program administration that are before the FCC.

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 commitment adjustments and recoveries awaiting FCC guidance shall be conducted in **Executive Session**.

- i4. **Status Report on Ongoing USAC Audits – Executive Session Option.** Mr. Scott introduced this item to the Committee reporting that USAC engaged KPMG LLP in late 2002 to perform Audits of 79 schools and library beneficiaries. The final cost for these audits was \$3.7 million. Recommended funds recovery resulting from the audits was \$8.8 million.
- i5. **Status Report on Actions Taken on Final USAC Audits - Executive Session Option.** Mr. Scott advised the Committee that the USAC Internal Audit Division staff maintains a document with specific details of all final actions being taken regarding the final USAC Audits.

At 9:10 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into **Executive Session** for the purposes of discussing the confidential and proprietary items as noted above. After a brief break, the Committee convened in Executive Session at 9:26 a.m. Eastern Time

**EXECUTIVE SESSION:**

- a4. **Consideration of Exercise of the Remaining Contract Option with KPMG LLP to Conduct Schools and Libraries Program Beneficiary Audits.** Mr. Scott and Mr. Barash introduced this item to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes USAC staff to exercise the remaining contract option under the existing contract with KPMG LLP for audits of Schools and Libraries Support Mechanism beneficiaries.

- a5. **Approval of Revised 2005/2006 USAC Internal Audit Plan.** Mr. Scott introduced the proposed revision to the audit plan to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee approves the revised 2005/2006 USAC Internal Audit Plan as presented by the USAC Internal Audit Division staff.

- a6. **Action on One Schools and Libraries Support Mechanism Operational Audit Report.** Ms. Bellavia introduced this item 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 Operational Audit report labeled SL2005OP099, together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

- a7. Action on Seven Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Reviews and Investigative Reports.** Mr. Lenhardt introduced this item 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 reports labeled SL2005LR089, SL2005LR093 through SL2005LR097, and SL2005IV098, together with management's response thereto, recommends to the USAC Audit Committee that such reports be deemed final.

- i2. Update on Schools and Libraries Program Support Services Contract and 2006 Performance Agreement.** Mr. Belden and Mr. Blackwell provided the Committee with an update on the status of the Program Support Services Contract Extension and the 2006 Performance Agreement with Solix, Inc.
- i3. Update on Commitment Adjustments (COMADs) and Recoveries.** Mr. Blackwell provided the Committee with an update on the COMADs and recoveries awaiting FCC action pursuant to the Commission's *Schools and Libraries Fourth Order* and *Schools and Libraries Fifth order*.

At 10:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and reconvened in open session at which time Ms. Campbell reported that the Committee considered and took action on items **a4**, **a5**, **a6** and **a7** and discussed items **i2** and **i3**.

On a motion duly made and seconded, the Committee adjourned at 10:33 a.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**July 24, 2006**

**MINUTES**

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 24, 2006. Mr. Dave Baker called the meeting to order at 8:40 a.m. Eastern Time. Mr. Baker chaired the meeting at the request of Ms. Campbell as Ms. Campbell was attending by telephone rather than in person and Dr. Anne Bryant (Committee Vice Chair) did not attend the meeting. Mr. Donald Short, Administrative Assistant, called the roll. Six members of the committee were present, representing a quorum:

Baker, Dave

Barash, Scott – Acting CEO

Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*

Simon, Phyllis

Talbott, Dr. Brian

Members of the Committee not present:

Bryant, Dr. Anne

Other Board Members and Officers of the Corporation present:

Banks, Jonathan – Board member

Duff, Bridget – Board member and Secretary

Kragel, Dr. Peter – Board member

Erwin, WB – VP of Finance

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools and Libraries Division and

VP, Rural Health Care Division

Capozzi, Dave – Acting General Counsel

Flannery, Irene – Sr. VP, External Relations

Holcombe, Jamie – VP, Information Services

Scott, Wayne – VP of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cyndi	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Briddell, Chris	USAC
Cameron, Debra	Bearing Point
Carroll, Kristy	USAC
Derocher, Michael	USAC
Fullwood, Leslie	USAC
Goff, Liz	USAC
Harrington, John	Funds for Learning
Kaplan, Peter	Funds for Learning
Klaffky, John	Bearing Point
Kriete, Debra	S.D. DOE
LeNard, David	USAC
Lenhardt, Chris	USAC
Lipka, Jodi	FCC
McDonald, George	E-Rate Central
Mitchell, Jeff	USAC
Morrow, Henry	FCC
Murphy, Kristin	USAC
Noran, John	USAC
Ortman, Roxane	USAC
Parker, Troy	USAC
Richter, Bob	IBM
Riordan, Dan	On-Tech Consulting
Schatz, Linda	Edtech Strategies
Saikreika, Tim	FCC
Schell, Julie	Pa. DOE
Short, Don	USAC
Spiller, Bob	USAC
Schultz, Cynthia	The Schultz Group
Wening, Tony	IBM
Weisiger, Greg	Va. Doe
Yasin, Alisa	FCC

**ACTION ITEMS:**

- a1. **Approval of Schools & Libraries Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of April 24, 2006.
- a2. **Approval of 4<sup>th</sup> Quarter 2006 Schools & Libraries Support Mechanism Programmatic Budget.** Mr. Erwin recommended and the Committee determined to defer consideration of this matter until other matters before the Committee are considered. See below for action taken on this item.
- a3. **Approval of 4<sup>th</sup> Quarter 2006 Schools and Libraries Support Mechanism Demand Projection for the August 2, 2006 FCC Filing.** Mr. Blackwell 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 Schools & Libraries Committee, having reviewed at its meeting on July 24, 2006, a summary of the 4<sup>th</sup> Quarter 2006 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required August 2, 2006 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.

- a4. **Course of Action Concerning Schools and Libraries and Rural Health Care Program 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. Capozzi 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 would compromise USAC's negotiation strategy to the detriment of the company, the Universal Service Fund, and the universal service support programs.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that consideration of the course of action concerning the Schools and Libraries and Rural Health Care Program Support Services Agreement shall be conducted in *Executive Session*.

- a5. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Review – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because 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 Schools and Libraries Universal Service Support Mechanism Beneficiary report labeled: SL2006LR001 shall be conducted in *Executive Session*.

- a6. **Action on 17 KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports – *Executive Session Option*.** Ms. Bellavia introduced this item to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee having reviewed the 17 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled: SL2004BE039, SL2004BE041, SL2005BE006 through SL2005BE009, SL2005BE026, SL2005BE030, SL2005BE031, SL2005BE043, SL2005BE049, SL2005BE056, SL2005BE066, SL2005BE068, SL2005BE075, SL2005BE079 and SL2005BE086, together with management's response thereto, directs that each such audit report be deemed final.

Ms. Campbell abstained from voting on the report labeled SL2004BE039.

- a7. **Request for Approval of Expenses Associated with Unanticipated Program Developments, Addressing Program Integrity Issues As Recommended By USAC Staff, and Potential Performance Incentive Costs.** Mr. Blackwell introduced this item to the Committee and noted that the recent FCC remand orders will result in a fundamental shift in the way USAC does business and require: (a) taking significant administrative and operational actions to address the specific applications covered by the orders within the timeframes established by the Commission; (b) re-reviewing several thousand Funding Year 2006 applications as directed by the Commission; and (c) making the generally applicable operational changes required by the orders. Mr. Blackwell stated that USAC is requesting Schools & Libraries Committee approval of additional funds for system improvements, increased contractor support and additional staff to fulfill the requirements associated with the FCC remand orders.

The Board indicated that it is pleased to see the FCC decide this large number of appeals, and the additional administrative costs incurred by USAC to process the appeals and revise operational procedures is a necessary investment that will improve the program for beneficiaries.

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

**RESOLVED**, that the USAC Schools & Libraries Committee approves additional 4<sup>th</sup> Quarter 2006 Schools and Libraries Program budgetary resources to address unanticipated program developments, implement new program integrity initiatives, and accommodate potential contract incentive payments in the amount of \$3,510,000. This amount shall be included in the 4<sup>th</sup> Quarter 2006 and revised annual 2006 programmatic budgets approved by the Committee and shall be included in the revised annual 2006 consolidated budget presented to the Board of Directors.

**a8. Approval of 4<sup>th</sup> Quarter 2006 Schools & Libraries Support Mechanism Programmatic Budget.** Mr. Erwin introduced this item to the Committee and noted that the 4<sup>th</sup> Quarter 2006 budget has been increased from the budget approved in January 2006, therefore the Committee is requested to also approve a revised 2006 annual Schools and Libraries Support Mechanism budget. In his presentation, Mr. Erwin highlighted the following:

- The 4<sup>th</sup> Quarter Schools and Libraries budget is \$3,389,000 higher than the budget approved in January due to an increase of \$3,510,000 for contract modifications to support additional work, including appeals remanded by the FCC and for performance incentives; and a slight decrease of \$121,000 for compensation and benefits due to vacant positions and attrition.
- A new Training Program Manager position is proposed. The position will develop and implement a more targeted outreach program (as was directed by the FCC in a recent Order). When this position is filled, the total number of Schools and Libraries Division employees will be 21, which is down from 22 last year.
- Audit costs will be just slightly lower this year. USAC will spend less to finish the KPMG-conducted beneficiary audits, but more for the Atlanta School District investigatory audit and the USAC/FCC Office of Inspector General Improper Payment Information Act audits.
- Site visit costs will also be slightly lower as the number of Schools and Libraries Program site visits will be reduced and the initiative is expanded to cover the High Cost Program.
- The revised 2006 annual budget of \$55,033,800 is \$1,871,700 higher than the 2005 annual budget.



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

**RESOLVED**, that the USAC Schools & Libraries Committee approves a 4<sup>th</sup> Quarter 2006 budget for the Schools and Libraries Support Mechanism of \$17,186,800, and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee approves a revised 2006 annual budget for the Schools and Libraries Support Mechanism of \$55,033,800.

**a9. Miscellaneous.**

- Solicit ideas for the July 2006 Committee agenda. Mr. Baker reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting Ms. Campbell or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. Schools and Libraries Support Mechanism Update.** Mr. Blackwell provided a status report on several Schools and Libraries Program matters and noted that all seven scheduled training sessions are fully booked. Mr. Blackwell responded to questions from Committee members concerning the status of forms processing and appeals.

At 9:18 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into **Executive Session** for the purposes of discussing the confidential and proprietary items noted above. After a brief break, the Committee convened in Executive Session at 9:34 a.m. Eastern Time

**EXECUTIVE SESSION:**

- a4. Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement.** Committee members discussed the proposed course of action set forth by USAC management and questioned staff concerning the pros and cons of each approach.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having considered alternative courses of action with regard to performance of support services for the Schools and Libraries and Rural Health Care Programs, hereby authorizes USAC management to pursue the third recommended option, continue appropriate discussions with Federal Communications Commission staff, and initiate negotiation of a program support services agreement with Solix, Inc. based on the strategy and proposed course of action outlined above.

a5. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Review.** Mr. Chris Lenhardt, Senior Internal Auditor-Fraud Specialist, USAC Internal Audit Division, presented the report associated with this item to the Committee.

A motion was made and seconded (but not adopted) to accept the report. The motion states as follows:

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism report labeled SL2006LR001, together with management's response thereto, directs that such report be deemed final.

The Committee then discussed the matter with Mr. Lenhardt and Mr. Scott. Following discussion, the Board determined to lay the motion on the table pending further review of this matter by USAC staff and a report back to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee hereby lays on the table the motion properly made and seconded to accept the USAC Internal Audit Division Schools and Libraries Support Mechanism report labeled SL2006LR001 pending further review by USAC staff and discussion with the Schools & Libraries Committee.

At 10:10 a.m. Eastern Time, the Board determined to continue in *Executive Session* with only members of the Board present to discuss a personnel matter. At 10:26 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and reconvened in open session at which time Mr. Baker reported that the Committee considered and took action on Action Items a4 and a5, and discussed a personnel matter.

On a motion duly made and seconded, the Committee adjourned at 10:28 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**September 13, 2006**

**MINUTES**

A non-quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Wednesday, September 13, 2006. Ms. Anne Campbell, Chair of the Committee, called the meeting to order at 12:30 p.m. Eastern Time. Mr. David Capozzi, Acting General Counsel and Assistant Secretary, called the roll. Six of seven members of the committee were present, representing a quorum:

Baker, Dave – *by telephone*

Barash, Scott – Acting CEO

Bryant, Dr. Anne – Vice Chair – *by telephone*

Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*

Talbott, Dr. Brian – *by telephone*

Member of the Committee not present:

Simon, Phyllis

Other Board Members and Officers of the Corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division

Capozzi, Dave – Acting General Counsel

Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beach, Cyndi	USAC
Bellavia, Leslie	USAC
Carroll, Kristy	USAC
Eisley, Andy	USAC
Nesbitt, Tom	USAC

**ACTION ITEMS:**

- a1. Approval of Authority to Deny Requests for Priority 2 Services at or below 79% for Funding Year 2005.** Mr. Blackwell introduced this item to the Committee, and Messrs. Barash, Belden and Blackwell answered questions from the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 79% and below for Funding Year 2005 for lack of funding.

- a2. Approval of Authority to Make Commitments for Priority 2 Services at a Discount Rate of 90% and Approval to Deny Requests for Priority 2 Services at or Below 60% for Funding Year 2006.** Mr. Blackwell introduced this item to the Committee, and Messrs. Barash, Belden and Blackwell answered questions from the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2006 with the parameters set at 20% and above for Priority 1 services and at 90% and above for Priority 2 services; and

**RESOLVED FURTHER**, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 60% and below for Funding Year 2006 for lack of funding.

- a3. Approval of Funding Year 2007 Application Window.** Mr. Blackwell introduced this item to the Committee, and Messrs. Barash, Belden and Blackwell answered questions from the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed at its meeting on September 13, 2006, management's proposal for the Funding Year 2007 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 approximately 60 days after the FCC issues a public notice releasing the final eligible services list for Funding Year 2007 and a closing date that allows for an application filing period of 70 to 85 days.

- a4. Action on 15 KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports – Executive Session Option.** Mr. Scott introduced this item to the Committee and answered the Committee's questions. Ms. Campbell requested that at the quarterly Committee meeting in October Mr. Scott provide an overall summary status report on all Schools & Libraries beneficiary audits year-to-date. Mr. Scott also explained to the committee the differences between the categories of "not compliant," "compliant" and "generally compliant." Dr. Talbott asked for a report on common findings across the audits and the type of outreach being done to assist schools and libraries in rectifying common unintentional program rules violations.

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

**RESOLVED**, that the USAC Schools & Libraries Committee having reviewed the 15 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled: SL2004BE037, SL2005BE010, SL2005BE020, SL2005BE022, SL2005BE024, SL2005BE028, SL2005BE032, SL2005BE037, SL2005BE039, SL2005BE042, SL2005BE052, SL2005BE057, SL2005BE058, SL2005BE062 and SL2005BE064, together with management's response thereto, directs that each such audit report be deemed final.

**INFORMATION ITEMS:**

- i1. **Schools and Libraries Support Mechanism Update – Appeals Performance Adjustment.** Mr. Blackwell presented this item to the Committee, provided a status report of the Schools & Libraries nationwide training program underway and answered questions from the Committee.

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

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

October 23, 2006

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**October 23, 2006**

**MINUTES**

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 23, 2006. Ms. Anne Campbell, Committee Chair, called the meeting to order at 8:34 a.m. Eastern Time. Mr. Donald Short, Administrative Assistant, called the roll. Six of the seven members of the committee were present, representing a quorum:

Barash, Scott – Acting CEO

Bryant, Dr. Anne – Vice Chair

Campbell, Anne – Chair

Jackson, Jimmy

Simon, Phyllis

Talbott, Dr. Brian  
Mr. Baker was unable to attend the meeting due to teleconferencing problems until 9:56 a.m. Eastern Time. Mr. Baker was not in attendance when votes were taken on the action items listed below. He did join the meeting for the discussion of items i2, i3, i4 and i5 below.

Other Board Members and Officers of the Corporation present:

Banks, Jonathan – Board member

Erwin, WB – VP of Finance

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division

Capozzi, Dave – Acting General Counsel

Holcombe, Jamie – VP, Information Services

Scott, Wayne – VP of Internal Audit

Others present for the meeting:

NAME	COMPANY
Ayer, Catriona	USAC
Bancroft, Royce	USAC
Beach, Cyndi	USAC
Carroll, Kristy	USAC
Castro, Maurice	USAC
Davis, Craig	USAC
Eisley, Andy	USAC
Falkowitz, Ed	USAC
Goff, Liz	USAC
Kaplan, Peter	Funds for Learning
Klaffky, John	Bearing Point
Kraft, Mick	USAC
LeNard, David	USAC
Lenhardt, Chris	USAC
Lawhead, Merry	USAC
Morrow, Henry	FCC
Murphy, Brian	USAC
Murphy, Kristin	USAC
Noran, John	USAC
Ortman, Roxane	USAC
Parker, Troy	USAC
Parry, John	Solix
Richter, Bob	IBM
Rodriguiz, Jose	FCC
Royce, Bill	SAIC
Short, Don	USAC
Spiller, Bob	USAC

**ACTION ITEMS:**

- a1. **Approval of Schools & Libraries Committee Meeting Minutes.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of July 24, 2006 and September 13, 2006.
  
- a2. **Approval of 1<sup>st</sup> Quarter 2007 Schools and Libraries Support Mechanism Programmatic Budget and Information on the Estimated 2007 Annual Budget.** Mr. Erwin introduced this item to the Committee and noted that the 1<sup>st</sup> Quarter 2007 (1Q2007) programmatic budget of \$16 million is approximately \$3.8 million higher than the 1<sup>st</sup> Quarter 2006 budget, and the estimated 2007 annual programmatic budget of \$58.3 million is approximately \$3.2 million higher than the final 2006 programmatic budget. The increase is primarily attributable to: (i) higher audits costs



associated with the IPIA audits of which there are 157 scheduled at a cost of \$9.9 million; and (ii) increased costs charged by Solix–USAC’s School and Libraries program operations support vendor. The increased vendor costs are attributable to Committee-approved additional funding in 2006 for work required to process appeals that have been remanded to USAC from the FCC as well as to fund certain additional contract modifications.

Mr. Erwin also noted the budget includes compensation and benefits for 25 Schools and Libraries Division employees, which includes four proposed new positions in 2006, and site visit costs for the Schools and Libraries support mechanism will be slightly lower in 2007 as the initiative is expanded to the other support mechanisms and fewer site visits are made to schools and libraries.

Mr. Erwin stated there is a misclassification of professional fee expenses on Attachment B to the issue paper for this agenda item. The \$885,400 on line six of the attachment labeled professional fees should be added to the \$441,700 on the professional fees line under direct allocations as the expense was for site visits, which is a direct allocation.

Mr. Barash mentioned that, as is standard USAC practice, the annual budget provided for this agenda item is a draft subject to further modification with finalization planned for the January 2007 Committee meeting.

On a motion duly made and seconded and after discussion, including a discussion of the function to be performed by employees who fill the proposed four new positions, the Committee adopted the following resolutions:

**RESOLVED**, that the USAC Schools & Libraries Committee approves a 1<sup>st</sup> Quarter 2007 budget for the Schools and Libraries Support Mechanism of \$16,188,700.

- a3. **Approval of 1<sup>st</sup> Quarter 2007 Schools and Libraries Support Mechanism Demand Projection for the November 2, 2006 FCC Filing.** Mr. Blackwell 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 Schools & Libraries Committee, having reviewed at its meeting on October 23, 2006, a summary of the 1<sup>st</sup> Quarter 2007 support mechanism demand

estimates, including administrative costs, hereby directs USAC management to proceed with the required November 2, 2006 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.

- a4. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Review – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because it *relates to investigatory matters or pending or contemplated enforcement action* and public disclosure of the matters discussed 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 Schools and Libraries Universal Service Support Mechanism beneficiary report labeled SL2006LR001 shall be conducted in *Executive Session*.

a5. **Miscellaneous.**

- Solicit ideas for the January 2007 Committee agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting Ms. Campbell or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell provided a status report on Schools and Libraries Program matters. Several Committee members mentioned they had received positive feedback on the nationwide trainings the Schools and Libraries Division staff recently completed. Dr. Bryant requested that USAC perform a six to twelve-month follow-up with attendees to solicit suggestions for enhancing the training once the attendees have had some time to apply the skills they learned in the field. Mr. Blackwell mentioned that the annual funding window is scheduled to be open between November 14, 2006 and February 7, 2007.

Dr. Talbott mentioned that a number of school districts have their elementary and secondary schools classified in different areas (e.g., the elementary school may be classified as in a rural area while the high school is classified as in a non-rural area), which creates inconsistencies in funding within the same school district. Dr. Talbott requested that USAC staff work with the FCC on this matter.

- i2. **Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** 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 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 Universal Service Fund, the universal service support programs and the company.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that the update on the course of action concerning Schools and Libraries and Rural Health Care program support services shall be conducted in *Executive Session*.

- i3. **Update on One KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** Mr. Scott presented this item to the Committee. In his presentation, he stated that no final conclusion was reached on audit report number SL2005BE061 because the school district is located in the Hurricane Katrina zone and school staff could not be contacted after Hurricane Katrina to respond to the draft audit findings.
- i4. **Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee. In his presentation he mentioned that the remaining audits of 100 Schools and Libraries program beneficiaries should be complete in early 2007.
- i5. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee. In his presentation he mentioned that no recovery would be initiated against the beneficiary associated with audit report SL2004BE035 as program rules were not violated in the technology acquisition sequence.

At 9:33 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above. After a brief recess, the Committee convened in Executive Session at 9:45 a.m. Eastern Time

**EXECUTIVE SESSION:**

- a4. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Review.** Mr. Lenhardt presented this item to the Committee, which was originally discussed by the Committee during its meeting on July 24, 2006 with action deferred until staff had an opportunity to further study this matter.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having laid on the table at its meeting on July 24, 2006 the motion to deem final the USAC Internal Audit Division Schools and Libraries Support Mechanism report labeled SL2006LR001, hereby takes the motion from the table.

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism report labeled SL2006LR001, together with management's response thereto, directs that such report be deemed final.

- i2. Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash presented this item to the Committee, which the Committee and USAC management then discussed.

At 10:16 a.m. Eastern Time, the Committee adjourned from *Executive Session* and reconvened in open session at which time Ms. Campbell reported that the Committee considered and took action on item a4 above and discussed item i2 above.

On a motion duly made and seconded, the Committee adjourned at 10:20 a.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**November 13, 2006**

**MINUTES**

A non-quarterly meeting of the Schools & Libraries Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, November 13, 2006. Ms. Anne Campbell, Chair of the Committee, called the meeting to order at 2:36 p.m. Eastern Time. All six committee members were present, representing a quorum:

Barash, Scott – Acting CEO

Bryant, Dr. Anne – Vice Chair – *by telephone*

Campbell, Anne – Chair – *by telephone*

Jackson, Jimmy – *by telephone*

Simon, Phyllis – *by telephone*

Talbott, Dr. Brian – *by telephone*

Other Board Members and Officers of the Corporation present:

Banks, Jonathan – Board member

Belden, Richard – Chief Operating Officer

Blackwell, Mel – VP, Schools and Libraries Division

Capozzi, Dave – Acting General Counsel

Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bellavia, Leslie	USAC
Eisley, Andy	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Rodriguez, Jose	FCC

**ACTION ITEMS:**

- a1. **Action on 13 KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports – Executive Session Option.** Mr. Scott introduced this item to the Committee and answered the Committee’s questions. In addition, the Committee noted that the list of audit reports in the issue paper was not sequenced properly with the actual reports attached but all of the reports being reviewed were included with the issue paper.

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

**RESOLVED**, that the USAC Schools & Libraries Committee having reviewed the 13 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled: SL2004BE043, SL2005BE016, SL2005BE027, SL2005BE035, SL2005BE036, SL2005BE051, SL2005BE053, SL2005BE060, SL2005BE065, SL2005BE070, SL2005BE073, SL2005BE074, and SL2005BE087, together with management’s responses thereto, directs that each such audit report be deemed final.

- a2. **Approval of Authority to Make Commitments for Priority 2 Services at a Discount Rate of 87% and Above for Funding Year 2006.** Mr. Blackwell introduced this item to the Committee. During discussion, Mr. Blackwell informed the Committee that USAC is waiting FCC approval of this matter.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2006 with the parameters set at 20% and above for Priority 1 services and 87% and above for Priority 2 services.

- i1. Miscellaneous.** The Committee and Mr. Barash briefly discussed the process for appointing new Committee members and a chair and vice chair once the Chairman of the FCC makes his selections for USAC Board of Directors seats that are either vacant or of members whose terms have expired.

On a motion duly made and seconded, the Committee adjourned at 2:57 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**Schools and Libraries Committee Meeting**

**December 19, 2006**

**MINUTES**

A non-quarterly, joint meeting of the Board of Directors, Rural Health Care Committee, and Schools and Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, December 19, 2006. At the request of Ms. Anne Campbell, Chair of the Committee, Mr. Barash called the meeting to order at 1:00 p.m. Eastern Time. Five of six Committee members were present, representing a quorum:

Barash, Scott – Acting CEO	Simon, Phyllis – <i>by telephone</i>
Bryant, Dr. Anne – Vice Chair – <i>by telephone</i>	Talbott, Dr. Brian – <i>by telephone</i>
Campbell, Anne – Chair – <i>by telephone</i>	

Members of the Committee not present:

Jackson, Jimmy

Other Board Members and Officers of the corporation present:

Banks, Jonathan – Member of the Board

Belden, Richard – Chief Operating Officer

Berlyn, Debra – Member of the Board

Blackwell, Mel – VP, Schools and Libraries Division

England, Bill – VP, Rural Health Care Division

Flannery, Irene – Senior VP, External Relations

Hess, Kevin – Member of the Board

Jornter, Wayne – Member of the Board

Kragel, Dr. Peter – Member of the Board

Sanders, Dr. Jay – Member of the Board

Scott, Wayne – VP, Internal Audit



Others present for the meeting:

NAME	COMPANY
Bellavia, Leslie	USAC
Carroll, Kristy	USAC – <i>by telephone</i>
Eisley, Andy	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Short, Don	USAC
Trew, Anne Marie	USAC

**ACTION ITEMS:**

- a1. Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because 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 Universal Service Fund, the universal service support programs and USAC.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement shall be conducted in *Executive Session*.

At 1:07 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary item noted above.

**EXECUTIVE SESSION:**

- a2. Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash introduced this item to the Committee.

On a motion duly made and seconded and after discussion and questioning of Mr. Barash by Board members on matters including project goals, information technology investments required and contract pricing, the Committee adopted the following resolutions:

**RESOLVED**, that the USAC Schools & Libraries Committee, having considered the new Schools and Libraries and Rural Health Care Program Support Services Agreement between USAC and Solix, Inc. proposed by management, hereby recommends to the USAC Board of Directors that management be authorized to finalize all remaining terms and conditions in the proposed agreement; and

**RESOLVED FURTHER**, that in finalizing such terms and conditions, if any material terms of the proposed agreement change, the USAC Schools & Libraries Committee hereby recommends to the USAC Board of Directors that management be required to submit the proposed agreement to the Executive Committee of the Board of Directors for further consideration; and

**RESOLVED FURTHER**, that upon finalizing the terms and conditions of the proposed agreement and subject to obtaining any necessary approvals from the Federal Communications Commission, the USAC Schools & Libraries Committee hereby recommends the USAC Board of Directors authorize management to execute the proposed agreement with Solix, Inc. and proceed with its implementation.

At 1:41 p.m. Eastern Time, the Committee adjourned from **Executive Session** and reconvened in open session at which time Mr. Barash reported that the Committee considered and took action on item a3 above. At 1:42 p.m. Eastern Time, on a motion duly made and seconded, the Committee recessed until the remainder of the Board of Directors items were acted upon.

The Schools and Libraries Committee reconvened at 1:52 p.m. Eastern Time in **Open Session**. The five Committee members present at the start of the meeting were present when the Committee reconvened

**ACTION ITEMS:**

- a1. **Action on 14 KPMG LLP Schools and Libraries Support Mechanism Beneficiary Performance Audit Reports – Executive Session Option.** Mr. Scott introduced this item.

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

**RESOLVED**, that the USAC Schools & Libraries Committee having reviewed the 14 KPMG LLP Schools and Libraries Support Mechanism beneficiary performance audit reports labeled: SL2005BE012, SL2005BE015, SL2005BE018, SL2005BE047, SL2005BE048, SL2005BE050, SL2005BE054, SL2005BE055, SL2005BE063, SL2005BE069, SL2005BE076, SL2005BE080, SL2005BE083, and SL2005BE084 together with management’s response thereto, directs that each such audit report be deemed final.

- a2. **Approval of Authority to Make Commitments for Priority 2 Services at a Discount Rate of 86% and Above and Approval to Deny Requests for Priority 2 Services at or below 79% for Funding Year 2006.** Mr. Blackwell introduced this item.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2006 with the parameters set at 20% and above for Priority 1 services and 86% and above for Priority 2 services.

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 79% and below for Funding Year 2006 for lack of funding.

On a motion duly made and seconded, the Committee adjourned at 2:01 p.m. Eastern Time.

/s/ David A. Capozzi

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Assistant Secretary