Universal Service
Administrative Co.

2020 ANNUAL REPORT

MISSION

Ensuring that all people in the United States have access to quality, affordable connectivity services.

700 12th Street NW | Suite 900 | Washington, DC 20005 | **www.usac.org**

The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation designated by the Federal Communications Commission (FCC) as the administrator of the Universal Service Fund (USF).

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MESSAGE FROM THE BOARD CHAIR

2020: A number traditionally synonymous with excellent vision will now forever remind us of our response to a global pandemic. As a result, our mission to provide telecommunications services to families, medical facilities, schools, libraries, and Tribal communities became more critical than ever this year. Fortunately, great effort and dedication can overcome great challenge.

For every roadblock, there is hope. Proof can be found in the compassion, kindness, and effort of those that rose to new heights to fulfill the USAC mission. Words cannot fully express the Board's appreciation for the time and sacrifice made by the USAC staff and management. USAC's dedication to keeping America connected tested our efforts as an organization, but we met the challenge.

The Board is also grateful to the Federal Communications Commission and its staff for their remarkable efforts in responding to the pandemic. Their policies recognized the unique nature of the pandemic and strengthened communal support.

Finally, we would like to thank the vendors that continued to support USAC. These contractors are part of the broader USAC family, and our success depended upon their commitment to our mission.

Joeseph Gillan
Chair
Universal Service Administrative Company, Washington, DC

2020 YEAR IN REVIEW

Building on the momentum created in 2019, the Universal Service Administrative Company (USAC) embarked on 2020 ready to take on an aggressive agenda of Universal Service Fund (USF) initiatives. This annual report details the work of all four USF programs; a few highlights are outlined here.

The High Cost program introduced High Cost performance measures testing and began the process of mapping 5G coverage for the 5G for Rural America Fund.

The Lifeline program completed its Lifeline National Eligibility Verifier (National Verifier) launch in all 56 states and territories by incorporating the National Lifeline Accountability Database (NLAD) "opt-out" states — California, Oregon, and Texas — into the system.

The Rural Health Care program implemented the Federal Communication Commission's (FCC) reform order, including the roll out of the rates database. The program also built the Connected Care system, which will support the pilot program.

The E-rate program issued funding commitments for more than half of applications received during the funding window in the first wave.

Responding to the COVID-19 Pandemic

In March, the COVID-19 pandemic began. It became immediately clear that USAC's work would become even more critical, given the increased need for USF support to help address the needs of Americans who were working and learning remotely. USAC quickly developed a strategy to protect its employees' health while committing to operational efficiency. USAC transitioned to remote work across the organization, allowing employees to stay safe and remain committed to USAC's mission. Keeping staff connected while remote became a top priority — to accomplish this, USAC's leadership hosted town halls to speak directly to employees, instituted weekly outreach to the organization, and provided tools and resources to bridge the distance between remote workers.

At the same time, the FCC enacted a series of COVID-19 relief orders, which USAC swiftly put into practice. USAC updated systems, extended deadlines for service providers and program participants, temporarily waived or changed application requirements, and opened additional funding windows to help connect individuals and communities to the resources, information, and services they needed during the pandemic. To support the rollout of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, USAC processed 2,702 FCC Forms 460 to determine the eligibility of healthcare facilities seeking funds from the COVID-19 Telehealth Program.

Supporting USAC's Mission

Our mission remained at the forefront for USAC. While managing changes related to COVID-19, USAC continued doing its business-as-usual work — faithfully administering the USF programs, enabling the success of USAC program participants, and increasing the efficiency and accuracy of USAC systems. This required USAC to hire 100 new employees. Our human resources team shined through the massive task of recruiting, interviewing, and onboarding new team members remotely. Our

2020 YEAR IN REVIEW

IT team met with new employees to prepare them to work remotely. When USAC needed shorter term or specialized support, the organization brought in contractor resources. This staffing push allowed USAC to maintain a high level of service across the organization.

Sustaining Our Infrastructure

USAC's IT infrastructure met the challenge of the all-remote workforce while maintaining Federal Information Security Modernization Act (FISMA) security and 508 accessibility compliance. As it became clear that USAC would need to do more to sustain full-time telework, the IT and IT security teams worked tirelessly to load test our systems, review security protocols, and transition staff to laptop computers. By late March, USAC was fully remote, supporting more than 500 remote log ins each day. The IT service desk team helped USAC's teams adjust to virtual meetings, supported secure document management, and managed countless requests.

Delivering Efficiencies and Embarking on New Initiatives

In 2020, USAC remained vigilant in its efforts to manage administration costs responsibly. Successful oversight of the organization's business process outsourcing (BPO) vendors yielded costs of $11.81 million less than anticipated. Reducing our reliance on IT contractors helped USAC maintain financial efficiencies while delivering quality work.

USAC started a number of enterprise initiatives that will transform our operations for years to come. The Enterprise Resource Planning (ERP) process sought proposals for a systems integrator, taking USAC one step closer to the ultimate goal of transforming and modernizing USAC's financial processes and systems. Building an adaptive IT environment will increase program flexibility and allow our systems to respond to changes more efficiently.

Working with the FCC, USAC began implementing the order "Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs," which prohibits spending USF monies to purchase or maintain equipment from companies that pose a national security threat to the integrity of communications networks or the communications supply chain.

Conclusion

Throughout the year, the organization delivered results while mitigating the risks posed by waste, fraud, and abuse. Incorporating a program-based fraud risk assessment that uses a Government Accountability Office (GAO) framework provided increased transparency and the ability to identify risks in real time. In 2020, USAC rose to the challenge of a mercurial year, producing high-quality work in difficult circumstances.

Radha Sekar
Chief Executive Officer
Universal Service Administrative Company, Washington, DC

2021 VISION

Looking to 2021, USAC anticipates another year shaped by the COVID-19 pandemic. We will remain firmly focused on protecting the health and safety of our staff, while maintaining excellence in Universal Service Fund (USF) service delivery. Our workforce will remain remote through the first portion of the year and our leadership team will work to maintain a high level of connection within teams and across the enterprise.

The USF connectivity services remain critical to our country's ability to work, learn, and access healthcare safely and the USAC will continue to deliver high-quality USF program implementation in the coming year. Program priorities for 2021 include enacting business process outsourcing (BPO) for the Rural Health Care program; hitting or exceeding commitment targets for E-rate's first and second application windows; building readiness in the High Cost program to deliver the Rural Digital Opportunity Fund (RDOF) and 5G Fund for Rural America; and exploring Lifeline program opportunities to consolidated the National Lifeline Accountability Database (NLAD) and the Lifeline National Eligibility Verifier (National Verifier) systems.

In 2021, USAC will support congressional efforts to bridge the digital divide by working with the FCC to administer programs created and funded in the 2021 Consolidated Appropriations Act. USAC will expand its administrative role beyond the USF by implementing the $3.2 billion Emergency Broadband Benefit (EBB) Program, the $7.1 billion Emergency Connectivity Fund (ECF), and the COVID-19 Telehealth Program. These programs will fund for appropriate technology equipment and connectivity to support health care providers, remote-learning students and library patrons, low-income families, and Tribal communities across the U.S.

On the enterprise side, USAC will engage a system integrator to begin implementing the Enterprise Resource Planning (ERP). USAC will also work with the FCC and U.S. Treasury to evaluate opportunities to foster efficiency with its payment systems. To create modernized and efficient systems, the organization will use the USAC data warehouse to enhance USF program management reporting across programs and use the geographical information system (GIS) concept of operations to standardize GIS functionality.

Building on its past work, USAC will ensure the continuous maintenance of the Federal Information Security Modernization Act (FISMA) requirements and will continue to meet all USF program automation requirements.

USAC will continue collaborating with the FCC to implement the National Supply Chain orders. Supply chain certifications will launch in 2021 for all programs. The organization will also initiate audits related to the First Report and Order.

To sustain the integrity of USF programs, USAC will begin developing a bidder's portal, mitigating risks identified by the Government Accountability Office (GAO) and the Office of the Inspector General. USAC also plans to expand our use of the GAO fraud-risk framework to conduct fraud-risk assessments for the High Cost and E-rate programs.

2021 promises a new opportunity for USAC to faithfully administer the USF, while taking on forward-looking initiatives that will modernize the organization and our work. USAC remains committed to supporting and empowering our most valuable resource, the USAC staff who makes all this work possible.

UNIVERSAL SERVICE PROGRAMS

UNIVERSAL SERVICE FUND (USF) DISBURSEMENT AUTHORIZED SUPPORT*

The USF Disbursement Authorized Support chart details trends in authorized program support over the past three years.

PROGRAMS	2020	2019	2018
E-RATE	$2,095,330,431.34	$1,980,178,200.34	$2,204,556,213.55
HIGH COST	$5,063,288,454.30	$5,091,691,304.99	$4,835,113,845.69
LIFELINE	$853,660,290.00	$981,731,241.48	$1,162,116,261.00
RHC	$297,920,410.39	$251,023,946.07	$298,620,028.22
TOTAL	$8,310,199,586.03	$8,304,624,692.88	$8,500,406,348.46

*Authorized Support includes all funding approved for disbursement for the above calendar years including funding approved but not yet disbursed (due to the Red Light Rule, etc.). It does not include recoveries from audits, appeals, or other enforcement actions.

STATEMENT OF OPERATIONS AND EXPENSE TRENDS

OPERATING EXPENSES PRELIMINARY ACTUALS			
	2020	**2019**	**2018**
E-rate BPO	$14,157,788	$16,424,105	$38,475,195
Lifeline BPO	$11,447,550	$8,762,697	$5,216,928
High Cost Data Collection and Verification Expenses	$334,149	$522,872	$837,698
Operations and Maintenance	$7,789,134	$7,831,604	$15,006,860
Personnel and Related Expenses	$92,521,739	$82,310,613	$72,536,913
Contract Labor	$18,851,472	$16,137,441	$13,651,297
Computer Support and Hardware	$16,090,881	$14,859,455	$14,013,686
Professional Fees Expenses	$20,415,061	$19,200,173	$15,666,337
Rent	$7,719,393	$7,939,233	$7,610,653
Tax Expense	$623,450	$119,170	$1,548,906
Other General and Administrative Expenses	$2,316,023	$3,326,996	$4,393,310
Depreciation and Amortization	$11,291,820	$16,107,371	$16,032,724
TOTAL	**$203,558,460**	**$193,541,732**	**$204,990,507**

NOTE: Operating expenses include depreciation and amortization expense and exclude capital costs.

The table on the left outlines the expenses related to performing the administrative functions of the USF. The expenses are broken out by major category and material increases or decreases in categories from previous years are detailed below.

Program Expenses

USAC continued to realize savings in the E-rate business process outsourcing (BPO) as evidenced by a $2.1 million decrease in 2020. Lifeline BPO expenses increased by $3.0 million, driven by an increase in application volumes. The $2.7 million increase in Contract Labor costs were primarily due to increased support of program integrity and system improvement initiatives. Several E-rate Productivity Center (EPC) assets were fully amortized, resulting in $5.6 million lower amortization expenses than last year, offset by a $1.4 million increase in the National Verifier fixed assets that were placed in service during 2020.

Professional Expenses

Computer support and maintenance expenses increased by $1.3 million, driven by higher Appian license renewals, Appian consultant services, and ServiceNow licenses. The Beneficiary and Contributor performance audits and risk assessment costs increased by $736 thousand and $666 thousand, respectively, in support of USAC's program integrity initiatives.

Corporate Expenses

USAC experienced headcount growth, leading to increased wages and benefits expenses. With the office closure and business travel restrictions due to the COVID-19 pandemic, there were lower expenses for office supplies, training, and travel in 2020.

COMBATING WASTE, FRAUD, AND ABUSE

Combating waste, fraud, and abuse, and safeguarding the integrity of the USF is a priority for USAC. In 2020, USAC conducted 58 Beneficiary and Contributor Audit Program (BCAP) audits, 1,205 Program Quality Assurance (PQA) assessments, and two strategic audits. Based on these audits and assessments, USAC recommended $4.4 million in additional contributions and USF repayment. Last year, USAC established a Fraud Risk Group (FRG) within the Office of General Counsel (OGC). The FRG has three main work streams: **1)** responding to FCC inquiries and data requests on behalf of USAC; **2)** conducting investigations for potential rule violations that are referred by the following programs/divisions: E-rate, Rural Health Care, High Cost, Lifeline, and Finance (Contributions); and **3)** conducting fraud risk

assessments for the aforementioned programs, including Contributions. To date, FRG referred 18 cases of non-compliance and potential fraud to the FCC Office of Inspector General (OIG) and the FCC Enforcement Bureau (EB) has 12 open investigations. FRG is also working alongside a contractor to conduct its first fraud risk assessment of High Cost. Finally, FRG has worked with USAC's Office of the Chief Administrative Officer (CAO) and is now collaborating with Shared Services to establish a thriving fraud risk community of practice. Finally, USAC continues to support our law enforcement partners through research, depositions, and trial testimony, and resulted in 17 guilty pleas or verdicts for E-rate program participants.

2020 IN NUMBERS
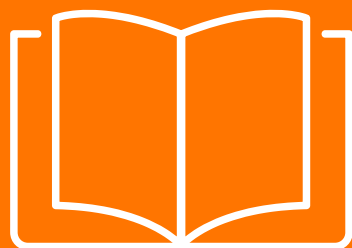
125,451
Schools and Libraries
Receiving Commitments

12,616
Participating Health Care
Providers Receiving Commitments

3.9M
Locations in the HUBB Portal
for the High Cost Program

7,185,849
Lifeline Subscribers Claimed

E-rate Program

Ensuring that schools and libraries across the U.S. are connected to information and resources through the internet.

E-RATE PROGRAM

The E-rate program helps U.S. schools and libraries obtain **affordable high-speed internet access** and **telecommunications services**. This year, E-rate undertook efforts to provide support to participants experiencing hardship during the **COVID-19 pandemic**, including transitioning the annual in-person participant training to online seminars.

HIGHLIGHTS

COVID-19 Pandemic Response

The **FCC extended multiple filing deadlines**, including the Funding Year (FY) 2020 filing window, and waived program gift rules to provide relief to program participants. It also **opened a second E-rate application filing window** for schools needing additional funding to meet their increased on-campus bandwidth needs. USAC worked with the FCC to implement these changes and provide outreach. In collaboration with the FCC, the U.S. Department of Education, and the Institute of Museum and Library Services, **USAC led webinar events** and **created an E-rate COVID-19 Response webpage** to identify various kinds of relief available to E-rate program participants.

Forms and Filing

Starting at the end of July, USAC rolled out **multi-factor authentication (MFA)** for E-rate program participants. Service providers and applicants provide both a password and a verification code to log in to access the E-rate Productivity Center (EPC) and to file invoice forms. On October 19, 2020, the **E-rate program opened the EPC Administrative Window** to enable applicants to make updates to their EPC profiles in advance of the opening of the application filing window. We continue to implement Category Two Budget (C2) changes for FY2021, along

with plain-language invoice decision descriptions and a streamlined Billed Entity Applicant Reimbursement (BEAR) Form review process.

Outreach and Trainings

For the first time, the E-rate program **conducted its annual applicant and service provider training entirely online**.
Session topics included the E-rate pre and post-commitment processes,

> **The training sessions had an average of 750 attendees per session, and recordings of all nine sessions are available on the USAC website.**

FY2021 C2 budgets and the new C2 Budget Tool, and an EPC demonstration. In coordination with USAC's Tribal Liaison, we also **conducted a virtual training for Tribal applicants** to help them apply for funding through the program. We will continue to provide a variety of online training options during 2021.

LOOKING TOWARD 2021

The **new five-year C2 budget cycle begins July 1, 2021**. Although C2 budgets are fixed for the cycle, applicants can request a recalculation if their circumstances change in future funding years, and C2 budgets will apply at the school district or library system level. As the final step in the MFA project, we will be **removing the Personal Identification Number (PIN) requirement** for **BEAR Form filers**.

High Cost Program

High Cost expands networks in underserved areas so that all people in the U.S. have access to affordable voice and broadband.

HIGH COST PROGRAM

In 2021, the High Cost program **continued to implement FCC Modernization orders** driving the transition from legacy voice support to the broadband-focused Connect America Fund (CAF) to close the digital divide in rural America. The **CAF finances infrastructure investments to ensure that consumers in rural, insular, and high cost areas have access to modern communications networks** that can provide voice and broadband service — both fixed and mobile — at rates reasonably comparable to those in urban areas. This mission is more critical than ever during the pandemic, as broadband brings classrooms, workplaces, medical appointments, and even grocery shopping to computer screens across the country.

HIGHLIGHTS

Implemented Modernized Funds

The program **disbursed payments for modernized funds,** transitioning carriers from legacy cost-based support calculations to models with set support amounts and defined deployment obligations. Those include CAF Phase II Model and CAF II Auction, Alternative Connect America Model (ACAM), Revised ACAM and ACAM II, CAF Broadband Loop Support (BLS); Rural Broadband Experiments (RBE), the Uniendo a Puerto Rico Fund, and the Connect United States Virgin Islands Fund.

Tracked Broadband Deployment

The program **helped carriers navigate the March 2020 deadline for reporting 2019 deployment data** in the High Cost Universal Broadband (HUBB) portal and ended 2020 with **3.9 million CAF locations in the HUBB portal**. It also

conducted extensive outreach and system development to prepare for the March 2021 deadline for carriers to submit 2020 deployment data.

Confirmed Broadband Deployment

The program **conducted verification reviews to confirm deployment** to a random sample of locations reported in the HUBB portal by carriers following annual deployment milestones.

> **In 2020, the program verified deployment to more than 4,500 locations reported in the HUBB by CAF II Model carriers and Alaska Communications (ACS), as well as RBE carriers. CAF II Model carriers faced an 80 percent build-out milestone at the end of 2019, while ACS faced a 40 percent milestone.**

Measured Network Performance

The program **implemented a new compliance framework that requires carriers to conduct speed and latency testing** of a random sample of CAF locations to ensure that CAF-subsidized broadband meets basic performance metrics. CAF II Model carriers completed four quarters of testing in 2020.

LOOKING TOWARD 2021

The High Cost program will continue to **implement more modernized funds**, including the Rural Digital Opportunity Fund (RDOF) Phase I Auction, which will **invest $9.2 billion over 10 years**, and the 5G Fund for Rural America, which plans to **invest up to $9 billion over 10 years**.

Lifeline Program

Lifeline is a federal program that offers a monthly benefit of up to $9.25 toward phone or internet services for eligible consumers (and up to $34.25 for those living on Tribal lands).

LIFELINE PROGRAM

The Lifeline program **supports telecommunications companies that offer discounted phone and broadband services** to eligible consumers. Lifeline's efforts during the COVID-19 pandemic helped to alleviate struggles faced by consumers across the nation by providing enhanced customer service, new outreach initiatives, and temporary modifications to program requirements.

HIGHLIGHTS

Responding to 2020 Challenges

Lifeline implemented FCC orders providing relief to those affected by COVID-19. In response to the FCC's waivers of certain Lifeline rules related to the pandemic, Lifeline **temporarily paused recertification and reverification efforts, adjusted income documentation requirements for recently unemployed consumers** to make it easier to apply, **relaxed documentation requirements** for subscribers residing in rural areas on federally recognized Tribal lands, and more.

National Verifier

> **The National Verifier has fully launched in all U.S. states and territories.**

Along with this expansion, Lifeline made a number of enhancements to the NV. For example, Lifeline **implemented a progress bar** at the top of the service provider portal,

consumer portal, and NV Eligibility Check Application Programming Interface (API) to help the user track where they are in the application process. Additionally, consumers are now able to **access their Lifeline benefit enrollment details on the NV consumer portal homepage**.

Lifeline **expanded NV database connections**, adding state connections in Florida, Nevada, Puerto Rico, Washington, and Wisconsin. This brings the number of available database connections to 24 (20 state connections, two federal connections, and two state databases — Oregon and Texas — where consumers benefit from each state's existing database connection.)

System Updates

This year, Lifeline **updated the National Lifeline Accountability Database (NLAD)** system to meet **Section 508 Compliance** to provide a more accessible web experience to those with disabilities. Lifeline also released changes to **enable service providers to access updated recertification reports in NLAD**

that include new fields and enhanced filtering options. The full use of the Representative Accountability Database (RAD) was implemented, and the RAD annual agreement process was rolled out to reauthorize representatives.

Stakeholder Resources

This year, Lifeline **held 70 plus webinars with over 7,000 attendees in total**. Topics included training on how to use Lifeline systems and system enhancements, as well as information on the new recertification process mandated by the 2019 Lifeline Order. Lifeline also **hosted Tribal and consumer advocate training.**

Lifeline **introduced and enhanced consumer educational materials**, including Lifeline's Tribal Toolkit, a state Public Utility Commission brochure, and one-page fact sheets.

LOOKING TOWARD 2021

In 2021, Lifeline will host **quarterly Tribal webinars** and will **distribute a quarterly newsletter** for state and federal partners. The Lifeline team is also working to **redesign Lifeline's website content** to streamline the information based on stakeholder feedback.

Lifeline will continue to update their video modules, revise consumer letters to improve ease of understanding, and send out regular communication via their monthly newsletter and monthly webinar.

Rural Health Care Program

Rural Health Care supports health care facilities to bring world-class medical care to rural areas through increased connectivity.

RURAL HEALTH CARE PROGRAM

The Rural Health Care program **provides funding to eligible health care providers** to help **subsidize the cost of broadband and telecommunications connectivity, making telehealth services affordable** to rural communities nationwide. Support from the RHC program **enhances the provision of healthcare in hard-to-reach and underserved areas — especially through efforts in community outreach and application support**. In 2020, the RHC program launched a database of rural and urban rates with the aim of simplifying the funding request process. The RHC program began issuing Funding Year (FY) 2020 commitments in September, the earliest roll out of commitments since the implementation of filing windows. Due to the COVID-19 pandemic, the RHC program also quickly shifted resources to help affected communities and prioritize relief efforts.

HIGHLIGHTS

COVID-19 Response

Recognizing the unprecedented public health crisis wrought by COVID-19, the FCC directed USAC to **implement substantial program changes in a series of FCC orders and waivers**. In partnership with the FCC, the RHC program carried over an **additional $42.19 million in funding for FY2019** and **waived the $150 million cap on multi-year commitments and upfront payments**. At the FCC's request, the RHC program also updated systems to allow for waiver of the gift rules, an extended application filing window, eased competitive bidding requirements for health care providers with expiring evergreen contracts, and extension of several procedural deadlines.

Connected Care Pilot Program

On April 2, 2020, the FCC established a three-year Connected Care Pilot Program which will provide up to $100 million of Universal Service Fund (USF) support to help defray eligible health care providers' costs of providing connected care services.

The RHC program **provided resources, trainings, and support for interested health care providers** in advance of the application filing window that opened on November 6, 2020 and closed on December 7, 2020.

Applications and Customer Care

To support applicants, the RHC program **created new self-paced training modules, launched "Office Hours" for live application support, and hosted 12 program webinars**. The RHC program also prioritized clearing the backlog of applications, appeals, and reviews of applications for the upcoming year.

LOOKING TOWARD 2021

The RHC program will **continue providing applicant support in response to the COVID-19 pandemic**. This includes robust virtual applicant trainings for the FY2021 filing window, resources for new deadlines implemented via the FCC's 2019 Reform Order, and multi-track trainings for the Healthcare Connect Fund (HCF), Telecom, and Connected Care Pilot Program applicants.

USAC CONTRACTORS RECEIVING GREATER THAN $1 MILLION

CONTRACTOR/VENDOR	TYPES OF GOODS/SERVICES	PROCUREMENT METHOD
MAXIMUS Federal Services, Inc.	E-rate Operational Support Services	Competitive
Cigna Healthcare	Employee Benefits	Competitive
NTCA Group Health Program	Employee Benefits	Competitive
Conduent State & Local Solutions	Lifeline National Verifier Business Process Outsourcing Services	Competitive
Jamestown Premier One Metro Center Corp	Office Lease	Competitive
Accenture Federal Service LLC	Lifeline National Verifier Eligibility Database System	Competitive
Incentive Technology Group, LLC	EPC Consulting and IT Implemenation Services	Competitive
Ampcus Inc.	IT Staff Augmentation Services	Competitive
Addison Group (formerly Hirestrategy)	IT Staff Augmentation Services	Competitive
ManpowerGroup Public Sector Inc.	IT Staff Augmentation Services	Competitive
KPMG LLP	Audit Services/IT Security Services	Competitive
Powersolv	IT Staff Augmentation Services	Competitive
Appian Corporation	Appian Operations, Maintenance, and Cloud Services	Competitive
Oracle America, Inc.	IT Software Solution	Noncompetitive
Smart Synergies, Inc	IT Staff Augmentation Services	Competitive
PricewaterhouseCoopers, LLP	Financial Statement Audit and Agreed Upon Procedure Review	Competitive
DP George & Company, LLC	Beneficiary & Contributor Audit Program	Competitive
CliftonLarsonAllen LLP	Beneficiary & Contributor Audit Program	Competitive
The Guardian Life Insurance Company of America	Employee Benefits	Competitive
Sutherland Government Solutions, Inc.	Enterprise Call Center Services	Competitive
Moss Adams LLP	Beneficiary & Contributor Audit Program	Competitive

KEY Dollar Range: ☐ > $5M   ▇ $2-5M   ▇ $1-2M

In 2020, USAC engaged 22 contractors receiving payments greater than $1 million. USAC follows competitive procurement procedures for any procurement that exceeds a $10,000 purchase threshold. Any non-competitive procurement that exceeds the $10,000 purchase threshold must be reported to the FCC and USAC's Board of Director's annually in a Competition Advocate report. The chart details USAC's 2020 contractors receiving payments of $1 million or greater. All contractors receiving payments greater than $1 million have been assessed and their work has been deemed to be satisfactory or better.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Universal Service Administrative Company:

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Service Administrative Company (the "Company"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of operations and change in net assets without restrictions, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
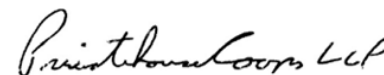
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the changes in its net assets without restrictions and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued a report dated June 30, 2020 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control over financial reporting and compliance and other matters.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
McLean, Virginia
June 30, 2020

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QUARTERLY BREAK DOWN OF RECEIPTS AND OUTLAYS FOR THE 2018-2020 CALENDAR YEARS

PROGRAMS	2020 DETAILS	1Q20	2Q20	3Q20	4Q20	2020 TOTAL
USF	TOTAL Receipts from Operations	2,022,811,132.11	1,832,290,067.44	1,894,453,475.57	2,111,856,718.80	$7,861,411,393.92
E-RATE	Disbursements from Operations	(483,568,656.13)	(510,865,378.08)	(556,913,595.09)	(504,746,838.49)	$(2,056,094,467.79)
	Administrative Transfers	(18,568,968.97)	(15,331,823.27)	(21,556,323.65)	(15,378,600.19)	$(70,835,716.08)
HIGH COST	Disbursements from Operations	(1,269,158,407.09)	(1,250,553,204.75)	(1,267,535,113.27)	(1,278,645,066.71)	$(5,065,891,791.82)
	Administrative Transfers	(11,432,551.97)	(14,022,127.65)	(14,182,919.07)	(13,207,611.95)	$(52,845,210.64)
LIFELINE	Disbursements from Operations	(199,166,935.46)	(205,951,636.82)	(216,525,391.96)	(232,851,923.33)	$(854,495,887.57)
	Administrative Transfers	(12,114,352.36)	(13,749,349.04)	(14,663,627.24)	(11,111,290.47)	$(51,638,619.11)
RHC	Disbursements from Operations	(31,005,934.76)	(62,066,529.24)	(103,178,955.40)	(92,775,266.08)	$(289,026,685.47)
	Administrative Transfers	(4,098,284.28)	(4,695,374.37)	(5,264,692.23)	(4,383,581.63)	$(18,441,932.51)
TOTAL	TOTAL Disbursements from Operations	(1,982,899,933.44)	(2,029,436,748.89)	(2,144,153,055.71)	(2,109,019,094.61)	$(8,265,508,832.65)
	TOTAL Administrative Transfers[1]	(46,214,157.57)	(47,798,674.33)	(55,667,562.19)	(44,081,084.24)	$(193,761,478.33)

PROGRAMS	2019 DETAILS	1Q19	2Q19	3Q19	4Q19	2019 TOTAL
USF	TOTAL Receipts from Operations	2,049,827,570.29	1,964,211,010.44	2,164,980,169.38	2,210,526,129.19	$8,389,544,879.30
E-RATE	Disbursements from Operations	(394,769,190.33)	(471,079,025.69)	(585,346,940.49)	(513,367,386.02)	$(1,964,562,542.53)
	Administrative Transfers	(19,976,443.58)	(21,954,343.97)	(24,931,526.87)	(20,449,138.21)	$(87,311,452.62)
HIGH COST	Disbursements from Operations	(1,143,936,590.97)	(1,333,176,226.27)	(1,327,619,526.67)	(1,284,927,756.59)	$(5,089,660,100.50)
	Administrative Transfers	(15,520,441.83)	(11,231,009.13)	(10,748,477.86)	(11,431,664.32)	$(48,931,593.14)
LIFELINE	Disbursements from Operations	(270,212,372.03)	(254,100,299.09)	(242,948,438.30)	(47,081,355.96)	$(814,342,465.38)
	Administrative Transfers	(8,156,360.84)	(10,430,832.47)	(13,224,184.59)	(10,601,052.23)	$(42,412,430.13)
RHC	Disbursements from Operations	(36,885,196.43)	(52,537,331.64)	(107,591,374.68)	(51,781,547.14)	$(248,795,449.90)
	Administrative Transfers	(2,143,277.31)	(3,124,138.36)	(3,404,266.20)	(3,234,012.45)	$(11,905,694.32)
TOTAL	TOTAL Disbursements from Operations	(1,845,803,349.76)	(2,110,892,882.68)	(2,263,506,280.14)	(1,897,158,045.72)	$(8,117,360,558.30)
	TOTAL Administrative Transfers[1]	(45,796,523.56)	(46,740,323.92)	(52,308,455.52)	(45,715,867.21)	$(190,561,170.21)

PROGRAMS	2018 DETAILS	1Q18	2Q18	3Q18	4Q18	2018 TOTAL
USF	TOTAL Receipts from Operations	2,094,377,369.20	2,033,202,792.86	1,985,647,458.39	2,045,939,389.78	$ 8,159,167,010.23
E-RATE	Disbursements from Operations	(569,838,691.32)	(462,226,768.81)	(594,773,887.97)	(549,081,249.89)	$(2,175,920,597.99)
	Administrative Transfers	(20,041,236.51)	(24,418,055.52)	(21,980,140.59)	(18,960,038.93)	$(85,399,471.55)
HIGH COST	Disbursements from Operations	(1,132,297,820.58)	(1,138,163,559.99)	(1,247,848,558.82)	(1,318,529,460.56)	$(4,836,839,399.96)
	Administrative Transfers	(14,827,780.64)	(18,971,295.31)	(17,077,188.54)	(14,730,759.27)	$(65,607,023.76)
LIFELINE	Disbursements from Operations	(304,329,045.67)	(302,242,211.56)	(282,441,521.64)	(274,797,099.50)	$(1,163,809,878.37)
	Administrative Transfers	(7,455,703.26)	(9,969,866.32)	(8,974,468.22)	(7,741,363.90)	$(34,141,401.70)
RHC	Disbursements from Operations	(19,904,858.73)	(62,609,273.52)	(82,675,452.72)	(131,644,800.76)	$(296,834,385.72)
	Administrative Transfers	(2,247,506.98)	(2,619,818.89)	(2,358,254.42)	(2,034,227.02)	$(9,259,807.31)
TOTAL	TOTAL Disbursements from Operations	(2,026,370,416.29)	(1,965,241,813.88)	(2,207,739,421.15)	(2,274,052,610.72)	$(8,473,404,262.04)
	TOTAL Administrative Transfers[1]	(44,572,227.39)	(55,979,036.04)	(50,390,051.77)	(43,466,389.12)	$(194,407,704.32)

[1] Administrative transfers represent actual funds transferred from USF to USAC in support of administrative costs.
Administrative transfers and administrative expenses may differ due to timing between when expense is recognized versus the actual transfer of cash.

MONTHLY BREAK DOWN OF RECEIPTS AND OUTLAYS FOR THE 2020 CALENDAR YEAR

PROGRAMS	DETAILS	JAN 20	FEB 20	MAR 20	APRIL 20	MAY 20	JUNE 20	JULY 20	AUG 20	SEP 20	OCT 20	NOV 20	DEC 20	TOTAL
USF	TOTAL Receipts from Operations	$729,072,023.15	$645,717,593.62	$648,021,515.34	$650,214,368.33	$593,170,935.89	$588,904,763.22	$596,627,190.79	$669,021,660.22	$628,804,624.56	$655,866,892.21	$716,155,552.15	$739,834,274.44	$7,861,411,393.92
E-RATE	Disbursements from Operations	$(170,037,822.61)	$(179,996,899.15)	$(140,697,944.55)	$(167,733,558.00)	$(184,678,046.11)	$(158,453,773.97)	$(176,710,098.38)	$(166,458,082.75)	$(213,745,413.95)	$(202,546,997.00)	$(166,794,225.50)	$(135,405,615.99)	$(2,056,094,467.79)
	Administrative Transfers	$(7,164,010.18)	$(6,260,829.73)	$(5,144,129.05)	$(7,040,956.77)	$(5,110,523.94)	$(3,180,342.56)	$(7,513,914.89)	$(10,326,991.63)	$(3,715,417.13)	$(5,067,558.92)	$(4,444,878.97)	$(5,866,162.30)	$(70,835,716.08)
HIGH COST	Disbursements from Operations	$(437,482,153.25)	$(415,167,982.04)	$(416,508,271.81)	$(418,068,135.20)	$(416,184,747.15)	$(416,300,322.40)	$(417,477,889.99)	$(422,295,455.87)	$(427,761,767.40)	$(414,226,477.91)	$(436,036,378.01)	$(428,382,210.79)	$(5,065,891,791.82)
	Administrative Transfers	$(4,488,138.46)	$(2,437,072.78)	$(4,507,340.73)	$(5,926,894.97)	$(5,052,310.84)	$(3,042,921.84)	$(4,643,437.80)	$(6,557,540.17)	$(2,981,941.10)	$(4,310,954.01)	$(4,673,597.12)	$(4,223,060.82)	$(52,845,210.64)
LIFELINE	Disbursements from Operations	$(70,217,327.91)	$(66,154,283.05)	$(62,795,324.50)	$(67,761,964.21)	$(67,114,805.47)	$(71,074,867.14)	$(68,140,875.92)	$(71,292,724.12)	$(77,091,791.92)	$(76,380,403.11)	$(77,229,505.16)	$(79,242,015.06)	$(854,495,887.57)
	Administrative Transfers	$(4,520,515.87)	$(3,090,798.19)	$(4,503,038.30)	$(4,693,668.84)	$(5,380,275.81)	$(3,675,404.39)	$(4,473,680.91)	$(5,829,347.24)	$(4,360,599.09)	$(3,458,462.96)	$(3,933,799.41)	$(3,719,028.10)	$(51,638,619.11)
RHC	Disbursements from Operations	$(9,552,790.58)	$(4,197,884.33)	$(17,255,259.85)	$(17,247,599.25)	$(15,168,429.91)	$(29,650,500.08)	$(34,570,338.38)	$(38,368,640.51)	$(30,239,976.50)	$(31,750,096.13)	$(29,788,674.97)	$(31,236,494.98)	$(289,026,685.47)
	Administrative Transfers	$(1,521,534.06)	$(1,120,779.44)	$(1,455,970.78)	$(1,886,330.01)	$(1,640,916.30)	$(1,168,128.06)	$(1,907,766.71)	$(2,134,227.84)	$(1,222,697.68)	$(1,460,121.36)	$(1,468,024.67)	$(1,455,435.60)	$(18,441,932.51)
TOTAL	TOTAL Disbursements from Operations	$(680,126,084.17)	$(665,517,048.57)	$(637,256,800.70)	$(670,811,256.66)	$(683,146,028.64)	$(675,479,463.59)	$(696,899,202.68)	$(698,414,903.26)	$(748,838,949.77)	$(724,903,974.15)	$(709,848,783.64)	$(674,266,336.82)	$(8,265,508,832.65)
	TOTAL Administrative Transfers[1]	$(17,694,198.57)	$(12,909,480.14)	$(15,610,478.86)	$(19,547,850.59)	$(17,184,026.89)	$(11,066,796.85)	$(18,538,800.31)	$(24,848,106.88)	$(12,280,655.00)	$(14,297,097.25)	$(14,520,300.17)	$(15,263,686.82)	$(193,761,478.33)

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