



Audit Committee

Briefing Book

Monday, April 29, 2019

8:00 a.m. - 9:30 a.m. Eastern Time

Universal Service Administrative Company Offices

700 12th Street, NW, Suite 900

Washington, DC, 20005

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda**

<p>Monday, April 29, 2019 8:00 a.m. – 9:30 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="margin-left: 20px;">A. Approval of Audit Committee Meeting Minutes of January 28, 2019.</p> <p style="margin-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p> <p style="margin-left: 20px;">C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.</p>	5
Teleshia	<p>i1. Audit and Assurance Division Business Update</p> <ul style="list-style-type: none"> • BCAP, PQA, and Strategic Audit (SA) Activities • Audit Duration Analysis 	25

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Carol Boakye-Gyan	a2. Action on Two Operational Audit Reports	10
Teleshia	a3. Action on One Performance Audit Report	10
Teleshia	i2. Executive Session with USAC’s Vice President of Audit and Assurance	10

Next Scheduled USAC Audit Committee Meeting

<p>Monday, July 29, 2019 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>
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**Universal Service Administrative Company
Audit Committee Meeting**

ACTION ITEM

Consent Items

Action Requested

The Audit Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

The Committee is requested to approve the following items using the consent resolutions below:

- A. Committee meeting minutes of January 28, 2019 (*see Attachment A*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a2** – Action on Two Operational Audit Reports. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a3** – Action on One Performance Audit Report. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **i3** – Executive Session with USAC’s Vice President of Audit and Assurance. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.
- C. USAC’s Processes to Assess Compliance with Applicable Laws and Regulations (*see Attachment B*).

In accordance with Section III.G of the Committee’s Charter, the Committee, in consultation with USAC’s General Counsel, is required to review the processes established to assure compliance by USAC with all applicable laws. **Attachment B** documents the assessment made by the USAC Audit and Assurance Division (AAD) in this matter and briefly discusses the controls in place to assure compliance. Compliance processes for administration of the Universal Service Fund (USF) and the Universal Service Support Mechanisms by each programmatic division and USAC’s financial operations are based on Section 254 of the Communications Act of 1934, as amended, Part 54 of the Commission’s rules, Commission orders, and FCC staff directives. Since 1998, USAC has

consistently received “clean” financial audit opinions, and the results of operational reviews to test compliance with program rules have not revealed any violations of applicable law. Additionally, through the combined efforts of USAC’s Office of General Counsel, AAD, and Human Resources divisions, ongoing compliance with laws and regulations is monitored and assessed.

Upon request of a Committee member, the above items are available for discussion by the Committee.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of January 28, 2019; (2) discussion in *Executive Session* of the items noted above; and (3) USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

AUDIT COMMITTEE MEETING
Monday, January 28, 2019

(DRAFT) MINUTES¹

The quarterly meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 28, 2019. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 8:01 a.m. Eastern Time, with all five Committee members present:

Choroser, Beth	Tinic, Atilla – Vice Chair
Feiss, Geoff – Chair	Wibberly, Dr. Kathy
Gillan, Joe	

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Delmar, Teleshia – Vice President of Audit and Assurance
Fontana, Brent – Member of the Board
Holstein, Bob – Vice President and Chief Information Officer
Kinser, Cynthia – Member of the Board – *by telephone*
Lubin, Joel – Member of the Board
Mason, Ken – Member of the Board
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Schell, Julie Tritt – Member of the Board
Sekar, Radha – Chief Executive Officer
Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Latoya	USAC
Boler, Natasha	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language, where necessary, or to correct grammatical or spelling errors.

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC
Francisco, Dale	USAC
Goode, Vernell	USAC
Haus, Allen	Avitecture
Hughet, Pamela	USAC
Murray, Sheila	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Smith, Chris	USAC
Smith, Denise	Kelley Drye & Warren, LLP
Stephenson, Karen	USAC
Tawes, Pauline	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC
Willis, Catherine	USAC

OPEN SESSION

All materials from Open Session can be found on the [USAC website](#).

- a1. Consent Items.** Mr. Feiss presented these items to the Committee.
- A.** Approval of Committee Meeting Minutes of October 29, 2018.
 - B.** Approval of Moving all *Executive Session* Items into *Executive Session*:
 - (1) **i3** – Executive Session with USAC’s Vice President of Audit and Assurance. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

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

RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of October 29, 2018; and (2) discussion in *Executive Session* of the items noted above.

- a2. Recommendation for Election of Committee Chair and Vice Chair.** Mr. Feiss introduced this item and Mr. Mason, Chair of the Nominating Committee, shared the Nominating Committee recommendations for the leadership positions.

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

RESOLVED, that the USAC Audit Committee recommends that the USAC Board of Directors elect **Geoff Feiss** as Chair and **Atila Tinic** as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

- a3. Approval of the 2019 Audit Committee Charter.** Mr. Feiss presented this item to the Committee for consideration. The Committee received a draft copy of the revised Audit Committee Charter. During the discussion, the Committee noted that the draft left blank the name of the audit plan referenced in Section I.B.4. of the Charter, and determined that the name entered in the blank should be the Strategic Audit Plan.

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

RESOLVED, that the USAC Audit Committee, having reviewed the current Audit Committee Charter and the proposed changes presented by the USAC Audit and Assurance Division, recommends that the USAC Board of Directors approve the revised Audit Committee Charter.

- i1 USAC Audit and Assurance Division Business Update.** Ms. Delmar presented PowerPoint slides covering the following to the Committee:
1. Action items and updates from the October 2018 Committee meeting
 2. 2018 Accomplishments
 3. 2018 Operational Results
 4. 2019 Goals and Objectives
 5. 2019 Look Ahead
 6. Discussion Topics – 2019 Audit Plan
 - a. Beneficiary and Contributor Audit Program (BCAP)
 - b. Payment Quality Assurance (PQA)
 7. Audit and Assurance Division at a Glance

USAC agreed to a Committee request to revert back to posting all non-confidential audit reports regardless of whether the entity disputes or agrees with the audit findings.

- i2. Information on FY2018 FCC Agency Financial Report: USF Audit Summary.** Mr. Francisco presented this item to the Committee for discussion.

The presentation included a PowerPoint slide with an overview of the FY 2018 FCC Agency Financials Report.

At 9:32 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item noted above. The meeting continued with only members of the Board and Ms. Delmar present.

EXECUTIVE SESSION

i3. *Executive Session with USAC's Vice President of Audit and Assurance.* The Committee met with USAC's Vice President of Audit and Assurance, pursuant to the requirements set forth in USAC's Audit Committee Charter.

At 9:59 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that, in *Executive Session*, the Committee discussed item i3.

On a motion duly made and seconded, the Committee adjourned at 9:59 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

ATTACHMENT C

USAC'S PROCESSES TO ASSESS COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Overview

The Universal Service Administrative Company (USAC) is a private, not-for-profit corporation, organized under the laws of Delaware. In 1998, pursuant to federal regulation, the Federal Communications Commission (FCC or Commission) designated USAC as the permanent Administrator of the federal Universal Service Fund (USF) and the four federal Universal Service Support Mechanisms the USF supports, including the High Cost, Low Income (Lifeline), Schools and Libraries (E-Rate), and Rural Health Care programs.¹ Pursuant to Section 254 of the Communications Act of 1934, as amended,² and Part 54 of the Commission's rules,³ USAC administers the USF and the Universal Service Support Mechanisms, including performing the billing, collection, and disbursement (BC&D) functions. The policies and procedures followed by USAC are documented and executed in accordance with these rules, Commission orders, FCC staff directives, and other applicable law.

Following is an overview of the methods employed by USAC to verify compliance with applicable laws and regulations. This document does not list every step or procedure or provide detailed information, as we do not want to compromise the integrity of our operating procedures or disclose proprietary information.

Universal Service Support Mechanisms and the Universal Service Fund

The processes established for management of the USF and each of the support mechanisms are designed to comply with Part 54 of the Commission's rules, and, in particular, 47 C.F.R. §§ 54.700-717. Section 54.717 provides that USAC shall obtain and pay for an annual audit conducted by an independent auditor to examine its operations and books of account to determine whether USAC is properly administering the Universal Service Support Mechanisms.⁴ The annual audit encompasses: (i) an audit of the financial statements of USAC; and (ii) an agreed-upon procedures (AUP) review of operations for compliance with the FCC's rules, including a review of internal controls for accounting and administration. The AUP review covers the USF, the support mechanisms and related BC&D functions, and other administrative areas of USAC, corporate governance, anti-fraud measures, audit follow-up and disbursements to name a

¹ See 47 C.F.R. § 54.701(a); *Changes to the Board of Directors of the National Exchange Carrier Association, Inc. et al.*, CC Docket Nos. 97-21 *et al.*, Third Report and Order, Fourth Order on Reconsideration, and Eight Order on Reconsideration, 13 FCC Rcd 25058, 25069-70, para. 20 (1998).

² 47 U.S.C. § 254.

³ See generally 47 C.F.R. pt. 54.

⁴ See 47 C.F.R. § 54.717.

few. A section of the AUP verifies compliance with USAC policies and procedures and FCC rules and directives.

FCC rules provide that in choosing an auditing firm to conduct the annual audit, USAC shall not “engage an independent auditor that has been involved in designing the accounting or reporting systems under review in the audit.”⁵ The independent audit provides an outside review as to whether the procedures used by USAC in administering the USF, the support mechanisms and related BC&D functions are in compliance with FCC rules. This is a major component of USAC’s program to determine compliance with FCC rules. The AUP document is revised annually by USAC and FCC staff to include testing compliance with new applicable rules and directives implemented over the past year.

All of the FCC-mandated financial audits of USAC conducted to date have resulted in “clean” financial audit opinions, and the agreed-upon procedure reviews have not resulted in findings that USAC failed to comply with applicable FCC directives with the exception of the AUP completed for 2017.

USAC staff for each of these areas is knowledgeable in applicable FCC rules, and staff reviews the rules to verify operating processes are compliant. In addition, the management of each area regularly communicates with FCC staff to seek guidance and discuss implementation issues to determine whether USAC is implementing the rules as intended by the Commission.

Universal Service Administrative Company

A. Office of the General Counsel

USAC’s Office of the General Counsel (OGC) advises the company concerning compliance with applicable laws and regulations. The OGC regularly consults with USAC management concerning compliance with local, state, and federal laws applicable to USAC’s operations. The USAC General Counsel is a member of the company’s senior leadership group. USAC attorneys assist USAC’s programmatic and administrative groups (including AAD), when requested, on matters dealing with FCC rules and directives as well as on issues not addressed in the rules or directives. The OGC utilizes outside counsel and other information resources as needed. USAC attorneys also attend continuing education and other professional development programs throughout the year.

B. Memorandum of Understanding

The FCC and USAC originally entered into a Memorandum of Understanding (MOU) on September 9, 2008, as amended on November 4, 2014. The FCC and USAC

⁵ 47 C.F.R. § 54.717(c).

subsequently entered into a revised MOU on May 2, 2016, and a further revised MOU on December 19, 2018. The MOU is a streamlined framework memorializing the FCC's and USAC's partnership to achieve success in the federal Universal Service Fund (USF) and its programs.

The MOU recognizes USAC as responsible for the efficient, effective, and competitively neutral management of the USF including:

- Collecting contributions and administering the disbursement of program support;
- Producing timely and relevant data and analysis to inform the Commission's policy-making and oversight of the USF; and
- Educating stakeholders to promote successful participation in the USF programs.

C. Human Resources (HR)

USAC's Chief Human Resources Officer is responsible for administering USAC's Human Resources (HR) policies and procedures in accordance with applicable employment laws and practices. To accomplish this task, HR is a member of various professional associations that monitor and provide nationwide employment law references and best practices. USAC's OGC has access to expertise in labor and employment law matters and has arranged with outside counsel for assistance when needed. To promote compliance with applicable employment laws and regulations, USAC managers who supervise staff are required to attend management training seminars. In addition, all USAC employees are required to attend an annual ethics training provided by HR and the OGC.

D. Audit & Assurance Division

USAC's Audit & Assurance Division (AAD) conducts objective and independent audits of beneficiaries of and contributors to the federal universal service fund. AAD also performs payment quality assessments in accordance with the Improper Payments Elimination and Recovery Improvement Act of 2012 as well as operational and financial audits of USAC's key functions. The audits and assessments test compliance with FCC rules, directives and other applicable law. AAD works closely with USAC's OGC, the FCC Office of Managing Director (OMD) and the FCC Wireline Competition Bureau (WCB).

Summary

USAC policies and procedures for administering the USF and the support mechanisms are designed to comply with applicable Commission rules and orders and FCC staff directives. Since 1998, USAC has consistently received "clean" financial audit opinions and the results of our operational reviews to test compliance with program rules have not identified any violations of applicable law. In addition, through the efforts of USAC's

OGC, AAD, and HR divisions, ongoing compliance with applicable laws and rules is monitored and assessed.

Audit and Assurance Business Update

Audit Committee

April 29, 2019



Universal Service
Administrative Co.

Agenda: Audit and Assurance

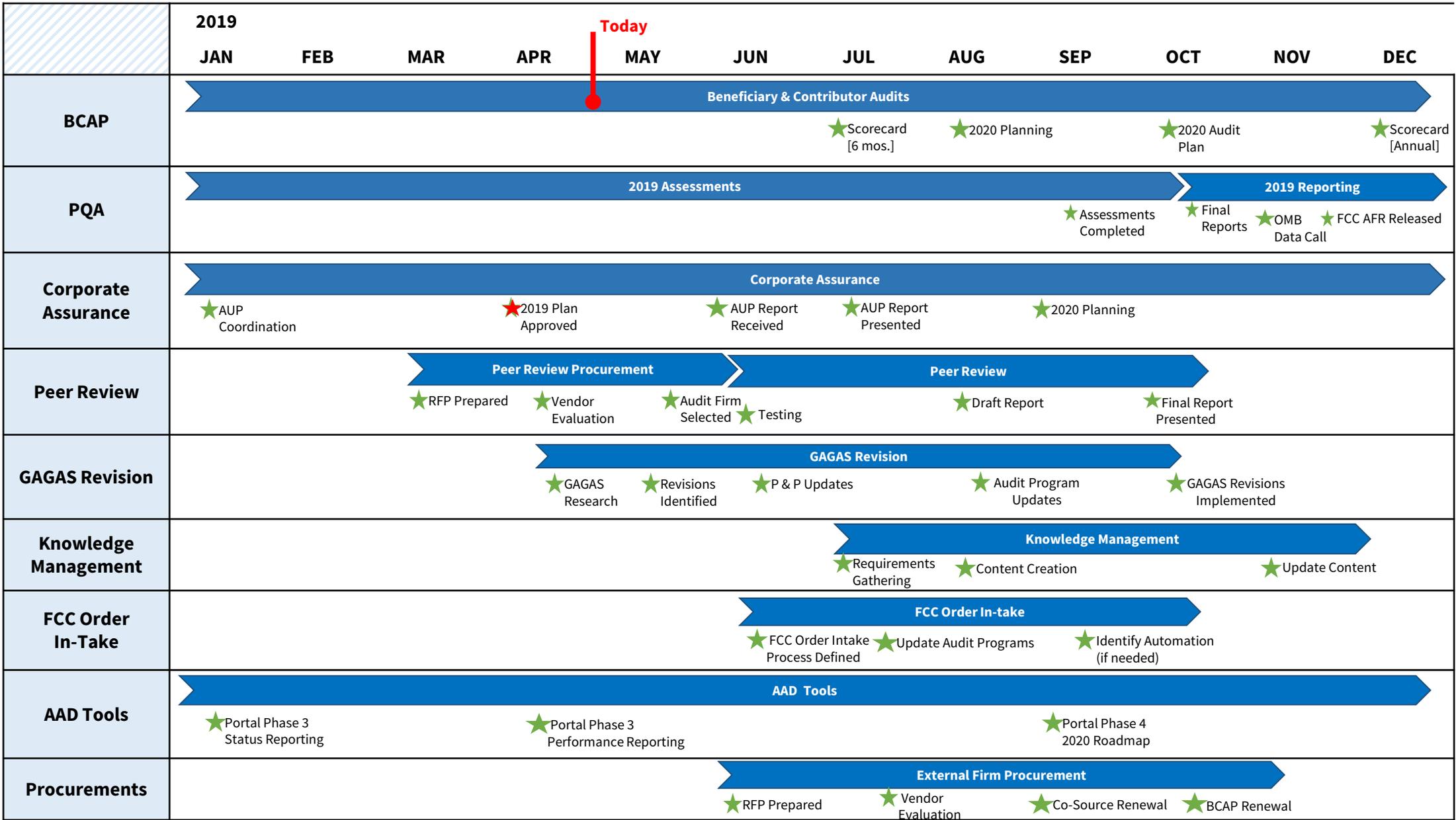
Topic	Description	Purpose	Presenter	Length
Recap	Action items and updates from the previous Audit Committee meeting	Informational	Teleshia	2 min
Audit and Assurance Division at a Glance	Overview of activities for 2019	Informational	Teleshia	3 min
Discussion Topics	<ul style="list-style-type: none"> Beneficiary and Contributor Audit Program (BCAP), Payment Quality Assurance (PQA), and Strategic Audit (SA) activities Audit duration analysis (Attachment A) 	Informational	Teleshia	10 min
			Nikki-Blair	10 min
Appendix	Glossary	Informational	-	-

January Board Recap

Action items and updates from previous Audit Committee meeting

Activity	Status
<u>BCAP</u> : Share all BCAP audit reports (including audits without Beneficiary / Contributor disagreements).	Final audit reports for all BCAP audits are now shared with the Board of Directors and the respective Programmatic Committees via BoardEffects and the audit briefing books.

Audit and Assurance Division at a Glance



Milestone Legend	
★ (Blue)	Completed
★ (Green)	On Track
★ (Yellow)	At-Risk
★ (Red)	Delayed
★ (Grey)	On Hold/TBD

Corporate Assurance milestone for 2019 Plan Approved - is delayed. All other milestones are on track.

Discussion Topics – BCAP

Fiscal Year 2019 BCAP Plan

- The Fiscal Year 2019 BCAP Plan has been approved by the FCC. The selection methodology is based on a combination of random, high-dollar, risk-based, and targeted entities.

Challenges and Mitigation

- Challenge: Completing the annual audit plan timely due to (1) entity delays (2) resources and (3) audit duration.
- Mitigation Plan: Root cause analysis and action plan (see Attachment A).

Fiscal Year 2019 BCAP Plan - FINAL Total Audits by Program	
Program	Total
Contributor Revenue (CR)	9
High Cost (HC)	24
Lifeline (LI)	5
Schools and Libraries (SL)	59
Rural Health Care (RHC)	20
Total	117

Audit Status As of March 31, 2019				
Program	Announced	Fieldwork	Reporting	Total
CR	0	10	2	12
HC	0	15	8	23
LI	0	11	4	15
SL	0	17	28	45
RHC	0	2	3	5
Total	0	55	45	100

Discussion Topics – Lifeline Forensic & Holding Company Audits

Current Status

- Collaborated with the audit firms to ensure consistency in audit approach and statistical methodology
- Carriers provided requested documentation; data analytics and testing in progress.
- Working with the carriers and Public Utility Commissions (PUC) in opt-out-states to receive required subscriber data
- Audit firm to report preliminary findings, starting May 2019

Challenge and Mitigation

- Challenge: Incomplete subscriber data requires resubmission of data and additional analysis that result in audit delays.
Mitigation Plan: Work with carriers and PUCs to identify alternative means of documentation to satisfy tests.
- Challenge: Forensic and holding company audits are commingled and created extra work for audit firms.
Mitigation Plan: Delayed audit progress for “pencils down” period to structure new path forward to streamline audits.

Discussion Topics – PQA

Fiscal Year 2019 PQA Plan

- The FCC is working with USAC to modify the scope of the procedures.

Challenge and Mitigation

- Challenge: The expansion of scope presents significant issues with staffing, time constraints, and the lack of training and subject matter experts to perform the testing. This puts AAD at risk for meeting the FCC required deadline for IPR reporting.
- Mitigation Plan: BCAP team members will be reassigned to work on the PQA testing.

PQA Status As of March 29, 2019				
Program	Sample Size	Announced	In Progress	Completed
High Cost	200	200	173	27
Lifeline	278	278	257	21
Schools and Libraries	360	360	357	3
Rural Health Care	410	410	410	0
Total	1,248	1,248	1,197	51

Discussion Topics – SA

Transit Benefits Audit

- The audit is complete and is presented in agenda item a2.

Employment Eligibility Verification Audit

- The audit is complete and is presented in agenda item a2.

Challenge and Mitigation

- Challenge: The Audit Committee has not developed and approved the 2019 Audit Plan.
- Mitigation Plan: USAC management will presents enterprise risks to the Board of Directors at the April meeting. The Audit Committee will use that information to develop and approve the annual plan, as required by the Audit Committee Charter.

Appendix: Glossary of Acronyms and Projects

Term	Definition
AAD	Audit and Assurance Division. An organization within USAC with the mission to preserve the integrity of the universal service fund and USAC's corporate resources by conducting objective audits, performing quality assessments and evaluating the efficiency and effectiveness of USAC's operations.
AAD Portal	A platform designed to centralize key data attributes across disparate applications used by AAD to plan, manage and report audit progress. Customized dashboards and reporting present data by program, audit and resource and deliver performance measurements at a click of the mouse.
AFR	Agency Financial Report. Federal government report that provides an overview of an agency's performance and financial information to enable the President, Congress, and the public to assess accomplishments for each fiscal year.
AUP	Agreed Upon Procedures. An agreed-upon procedure is a standard a company or client outlines when it hires an external party to perform an audit on a specific test or business process.
BCAP	Beneficiary and Contributor Audit Program (BCAP). The BCAP is designed to assess beneficiary and contributor compliance with the FCC rules and requirements (collectively, FCC Rules).
Forensic Audit	The Chairman of the Committee on Homeland Security and Government Affairs directed USAC on September 15, 2017 to perform forensic audits of the top 30 eligible telecommunication carriers. This directive was the result of a study performed by the GAO Report. The FCC directed USAC to audit the top 30 Study Area Codes (SACS), which spanned across eight carriers.
GAGAS	Generally Accepted Government Auditing Standards. Also referred to as "Yellow Book." The standards are used by auditors of government entities, entities that receive government awards, and other organizations performing Yellow Book audits as it provides a framework for conducting high-quality audits with competence, integrity, objectivity, and independence.
Holding Company Audit	FCC Chairman Pai directed USAC on August 8, 2017 to identify and audit the top ten eligible telecommunications carriers with the highest number of potentially ineligible subscribers based on the results of the Government Administrative Office (GAO) Report titled "FCC's Lifeline Program: A Case Study of Government Waste and Mismanagement".

Appendix: Glossary of Acronyms and Projects

Term	Definition
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012. Requires federal agencies to review and report on major programs that are susceptible to improper payments. The Universal Service Fund is subject to IPERIA.
IPR	Improper Payment Rate. The estimated percentage of improper payments made to beneficiaries of the Universal Service Fund.
OMB	Office of Management and Budget. OMB produces the President's Budget and also measures the quality of agency programs, policies, and procedures to see if they comply with the president's policies and coordinates inter-agency policy initiatives.
OMD	Office of Managing Director. OMD is a component of the FCC that administers and manages the Commission.
P&P	Policies and Procedures
PQA	Payment Quality Assurance. PQA is designed to assess the accuracy of Universal Service Fund (USF) disbursements and determine whether improper payments exist, and assists the FCC in meeting its reporting obligations under the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).
PUC	Public Utilities Commission
Peer Review	As part of a formal and independent process of quality assurance, AAD undergoes a peer review. GAGAS requires that peer reviews are performed by an independent, qualified external reviewer at least once every three years.
RFP	Request for Proposal. A document that solicits proposal, often made through a bidding process, by a company interested in procurement of a commodity or service to potential suppliers to submit business proposals. It is submitted early in the procurement cycle.
SA	The internal audit team within AAD that performs audits to verify USAC's financial and operational integrity (formerly known as Corporate Assurance)
WCB	Wireline Competition Bureau. WCB is a component of the FCC that works to ensure that all Americans have access to robust, affordable broadband and voice services.



Attachment A

BCAP Audit Duration Root Cause Analysis and Action Plan

Audit Committee

April 29, 2019

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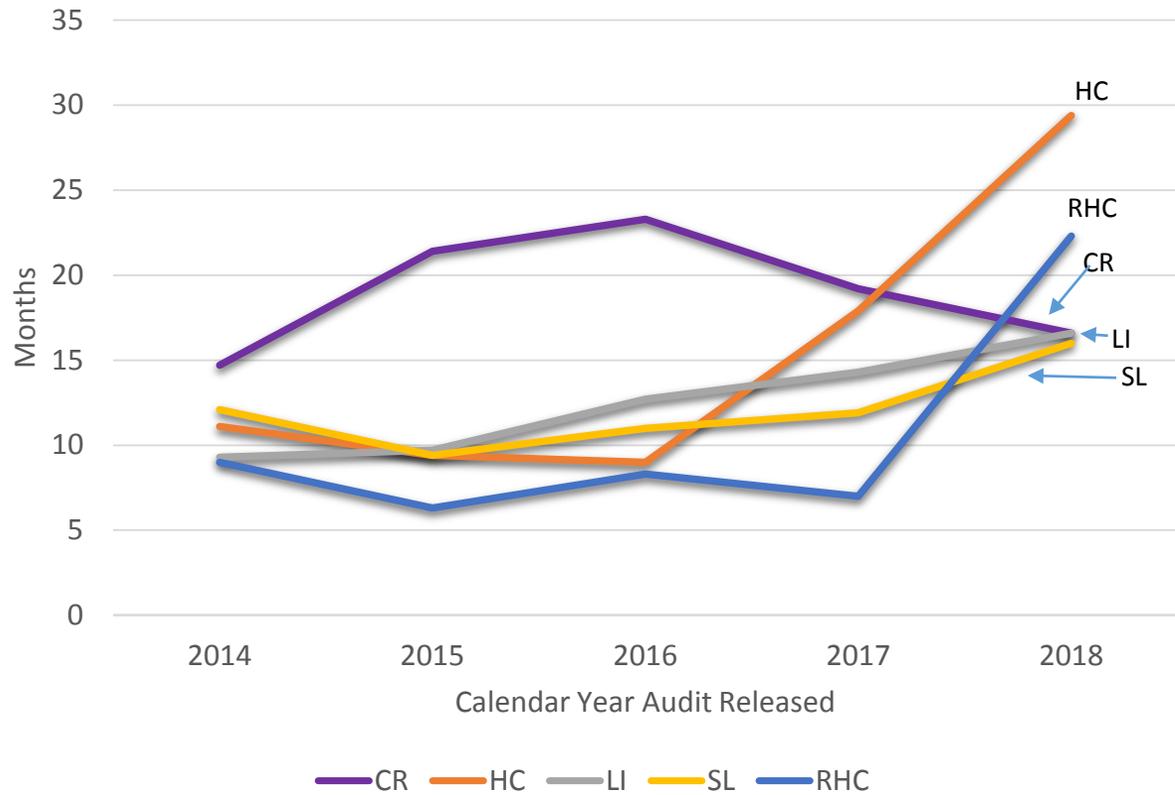
- Objectives
- BCAP Audit Duration by Program
- Bottom Line: Root Cause Observations
- Planned Actions
- Next Steps

Objectives

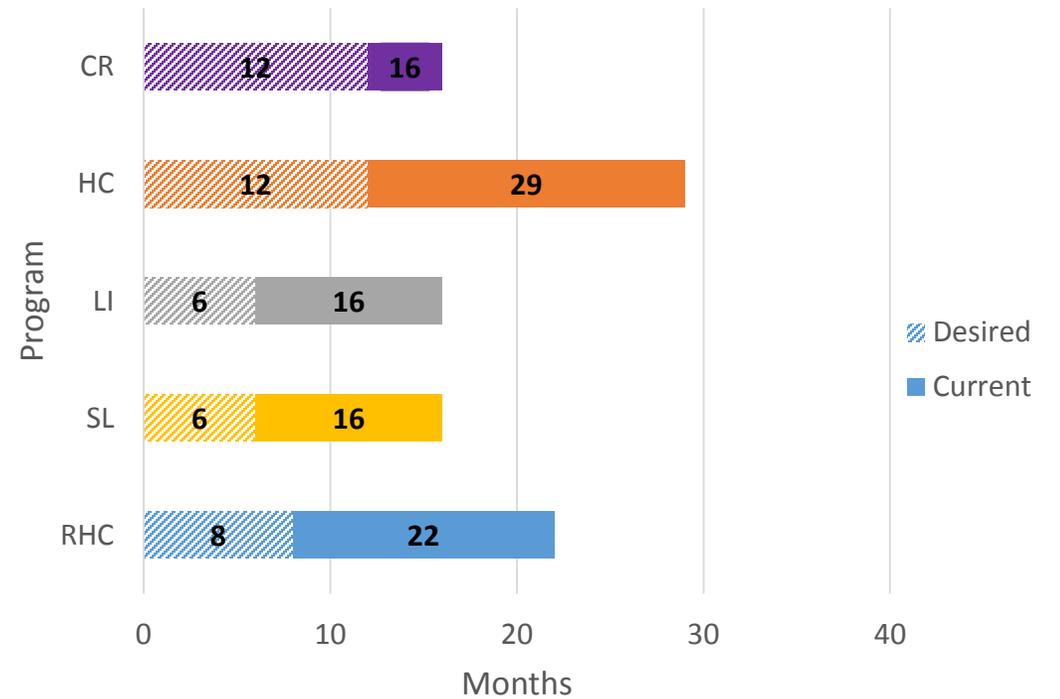
- Identify root causes of increased audit duration.
- Develop and implement action plans to decrease audit duration.
- Monitor action plans for effectiveness.

BCAP Audit Duration by Program

Trend in Audit Duration



Current vs. Desired Average Audit Duration*



* Desired average audit duration was estimated based on the extent of audit procedures (including budgeted audit hours), audit resources, and estimated impact of corrective actions.

Bottom Line: Root Cause Observations

1. Increase in extent of audit testing
2. Resource strategy
3. Entity delays in providing sufficient documentation

Planned Actions

Root Cause	In Process/Planned Actions
Extent of audit testing	Revised audit selection methodology for the Fiscal Year 2019 BCAP plan minimized need for “deeper dive.” (all programs)
	Streamlined the USAC OGC review process. (all programs)
	Begin audit work prior to audit announcement using readily available public documents or documents on file with USAC. (SL)
	Streamline audit procedures based on lessons learned. (CR, HC, LI)
	Conduct site visits later in the audit to allow additional time for filers to gather documentation, and for auditors to ask real time questions during documentation inspection. (CR)
	Draft and review findings earlier in the audit. (all programs)

Planned Actions, Cont'd

Root Cause	In Process/Planned Actions
Resource strategy	Moved to a team-based audit approach. (HC, LI, SL, RHC)
	Restructured management team to ensure adequate coverage for effective management reviews. (HC, LI, SL, RHC)
	Discontinued external CR audits due to significant audit duration (2+ years). (CR)
	Revise staff augmentation strategy. (HC, LI, SL, RHC)
	Integrate the AAD Portal, which enables enhanced audit resource and milestone tracking. (all programs)
	Improve capacity planning to consider attrition and impact of targeted/investigative audits for the Fiscal Year 2020 BCAP plan. (all programs)
Entity delays in providing sufficient documentation	Partner with the FCC and Finance to enforce timely responsiveness to audit requests. (CR)
	Partner with Program to develop an audit readiness webinar. (CR, SL)

Next Steps

- AAD will work to reduce the current audit duration by implementing the changes detailed above.
- AAD will monitor and track the performance of the Fiscal Year 2019 BCAP audit announcements.
- AAD will re-assess the average audit duration and determine whether corrective action plans implemented were successful after completion of the Fiscal Year 2019 BCAP audits (estimated for Q4 2020).