



Audit Committee

Briefing Book

Monday, October 28, 2019

8:00 a.m. - 9:30 p.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, October 28, 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 item is available for discussion upon request):</p> <ul style="list-style-type: none"> A. Approval of Audit Committee Meeting Minutes of July 29, 2019. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>. C. Annual Assessment of the Independence and Financial Literacy of Audit Committee Members D. Annual Review of the Adequacy of USAC’s System of Internal Controls (<i>See aAC05cf</i>) E. Annual Review of USAC’s Financial Reporting Process (<i>See aAC06cf</i>) 	10
Teleshia	<p>i1. Audit and Assurance Division Business Update</p> <ul style="list-style-type: none"> • Beneficiary and Contributor Audit Program (BCAP) • Payment Quality Assurance (PQA) • Strategic Audit (SA) 	15

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Pauline	i2. Audit and Assurance Division Business Update (<i>Continued</i>)	10
Teleshia	a2. Review of the Audit and Assurance Division Charter	10
Teleshia	a3. Review of the USAC Audit and Assurance Division External Peer Review Report	10
Carol	a4. Action on One USAC Audit and Assurance Division Strategic Audit Report	10
Charlie	a5. Annual Review of Adequacy of USAC’s System of Internal Controls	5
Charlie	a6. Annual Review of USAC’s Financial Reporting Process	5
Teleshia	i3. Executive Session with USAC’s Vice President of Audit and Assurance	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, January 27, 2020 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

**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 resolution below:

- A. Committee meeting minutes of July 29, 2019 (*see Attachment A*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i2** – USAC Audit and Assurance Division Business Update (*Continued*). USAC management recommends that this matter be discussed in Executive Session because it relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a2** – Review of USAC’s Audit and Assurance Division Charter. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **a3** – Review of USAC’s Audit and Assurance Division Peer Review Report. USAC management recommends that this matter be discussed in Executive Session because it relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (4) **a4** – Action on One USAC Audit and Assurance Division Strategic Audit Report. USAC management recommends that this matter be conducted in *Executive Session* because this matter relates to *specific internal controls, and /or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (5) **a5** – Annual Review of USAC’s System of Internal Controls. USAC management recommends that this matter be conducted in *Executive Session* because this matter relates to *specific internal controls, and /or confidential company data* that would constitute a discussion of internal rules and procedures.

- (6) **a6** – Annual Review of USAC’s Financial Reporting Process. USAC management recommends that this matter be conducted in *Executive Session* because this matter relates to *specific internal controls, and /or confidential company data* that would constitute a discussion of internal rules and procedures.
- (7) **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. Annual Assessment of the Independence and Financial Literacy of Audit Committee Members. In accordance with Section II.A of the Committee’s Charter, the Committee members are required to meet established independence requirements (*see Attachment C*).
- D. Annual Review of the Adequacy of USAC’s System of Internal Controls. In accordance with Section III.F of the Committee’s Charter, the Committee is required to review the adequacy of USAC’s system of internal controls (*See aAC05cf*; if discussion is needed, it will be conducted in *Executive Session*).
- E. Annual Review of USAC’s Financial Reporting Process. In accordance with Section III.C of the Committee’s Charter, the Committee, is required to review the integrity of USAC’s financial reporting process (*See aAC06cf*; if discussion is needed it will be conducted in *Executive Session*).

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 July 29, 2019; and (2) discussion in *Executive Session* of the items noted above; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the assessment and agrees that the Audit Committee consists of independent members and that there is a sufficient level of financial expertise; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the review of the adequacy of USAC’s system of internal controls; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the review of USAC’s financial reporting process.

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

AUDIT COMMITTEE MEETING
Monday, July 29, 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, July 29, 2019. Mr. Atilla Tinic, Committee Vice Chair, called the meeting to order at 8:00 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth
Gillan, Joe

Kinser, Cynthia – *by telephone*
Tinic, Atilla – Vice Chair

Members of the Committee not present:

Feiss, Geoff – Chair

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Davis, Craig – Vice President of Procurement and Strategic Sourcing
Delmar, Teleshia – Vice President of Audit and Assurance
Lubin, Joel – Member of the Board
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Sekar, Radha – Chief Executive Officer
Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Bean, Peter	USAC
Boakye-Gyan, Carol	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	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>
Crowe, Jen	USAC
Francisco, Dale	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Haas, Allen	Avitecture
Harrington, John	Funds for Learning
Hughet, Pamela	USAC
Kaplan, Peter	Funds for Learning
Kriete, Debra	SECA & South Dakota DOE
Lawson, Suzanne	USAC
Lenard, David	Erate Elite Services
Leonard, Thomas	PricewaterhouseCooper LLP
Medlock, David	USAC
Nelbach Nick	USAC
Nuzzo, Patsy	USAC
Richardson, Rashonda	USAC
Santana-Gonzalez, Jeanette	USAC
Stankus, Paul	CSM
Tiwari, Tanya	USAC
Ulom, Kayla	PricewaterhouseCooper LLP

OPEN SESSION

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

- a1. Consent Items.** Mr. Tinic presented this item to the Committee.
- A.** Approval of Committee Meeting Minutes of April 29, 2019.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a2** – Approval of the Strategic Audit Plan. 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** – Acceptance of USAC’s 2018 Annual Financial Statement Audit and Agreed-Upon Procedures Review. 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) **i2** – Audit Committee *Executive Session* with USAC’s Independent Auditor Firm. USAC management recommends that this matter be

discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

- (4) **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 April 29, 2019; (2) discussion in *Executive Session* of the items noted above.

- i1. Audit and Assurance Division Business Update.** Ms. Delmar presented PowerPoint slides covering the following to the Committee:
1. Action items and updates from the April 2019 Audit Committee meeting
 2. Audit and Assurance Division at a Glance
 3. Discussion Topics:
 - a. Beneficiary and Contributor Audit Program (BCAP),
 - b. Payment Quality Assurance (PQA);
 - c. Strategic Audit (SA) activities; and
 - d. Audit and Assurance Division Operational Results.

At 8:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- a2. Approval of the Strategic Audit Plan.** Ms. Boakye-Gyan presented the Strategic Audit Plan to the Committee for consideration.

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

RESOLVED, that the USAC Audit Committee approves the Strategic Audit Plan.

- a3. Acceptance of USAC’s 2018 Annual Financial Statement Audit and Agreed-Upon Procedures Review.** Mr. Salvator introduced Mr. Leonard and Ms. Ulom from PricewaterhouseCooper, who then presented the annual audit report and review to the Committee for discussion.

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 USAC 2018 Financial Statement Audit Report, as submitted by PricewaterhouseCoopers LLP, hereby deems the report final; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC 2018 Agreed-Upon Procedures Review Report, as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

At 8:50 a.m. Eastern Time the Committee continued in *Executive Session* with only non-staff members of the Board and Mr. Leonard and Ms. Ulom present.

i2. Audit Committee *Executive Session* with USAC's Independent Audit Firm. The Committee met with PricewaterhouseCoopers pursuant to the requirements set forth in USAC's Audit Committee Charter.

At 9:10 a.m. Eastern Time, the Committee continued in *Executive Session* with only non-staff members of the Board and Ms. Delmar present.

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.

OPEN SESSION

At 9:45 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Tinic reported that, in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i2 and i3.

On a motion duly made and seconded, the Committee adjourned at 9:46 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

Attachment C
Annual Assessment of the Independence and Financial Literacy
of USAC Audit Committee Members

Action Requested

In accordance with the Audit Committee Charter (Charter), the Audit Committee (Committee) of the USAC Board of Directors is required to assess the independence and financial literacy of its members to ensure that the Committee can adequately fulfill its roles and responsibilities. This issue paper documents the assessment of the Committee made by the USAC Audit and Assurance Division (AAD).

Discussion

The Charter requires that the Committee assess the independence and financial literacy of its members at least annually to verify that the Committee is independent and has a sufficient level of financial expertise to perform its duties.

The following is a summary of the Charter’s independence and financial literacy requirements and an assessment of each Committee member’s compliance with specific sections:

Audit Committee Charter (Section II, A1c, 2a-c)	Joseph Gillan	Geoff Feiss	Beth Choroser	Atilla Tinic	Cynthia Kinser
[The member] is not and has not been employed in an executive capacity by the Company for at least five years prior to appointment to the Audit Committee.	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
[The member] is not an advisor or consultant to the Company, and does not have a personal services contract or other business relationship with the Company.*	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

Audit Committee Charter (Section II, A1c, 2a-c)	Joseph Gillan	Geoff Feiss	Beth Choroser	Atilla Tinic	Cynthia Kinser
[The member] is not a spouse, parent, sibling, child, or in-law of any person described in the preceding two clauses of this paragraph or of any member of the management of the Company.	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
At least one member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
<i>*NOTE: None of the members of the Audit Committee have a consulting arrangement or contractual business relationship with USAC. Members may be employees of companies or entities that contribute to and/or receive funds from the Universal Service Fund (USF).</i>					

The financial proficiency shown by Mr. Joseph Gillan, Ms. Choroser, and Mr. Atilla Tinic is experience acquired during their professional careers.

- Mr. Gillan is an economist with extensive experience evaluating financial implications of technological change and regulatory policy in the telecommunications industry. Mr. Gillan has provided expert testimony in over 300 proceedings. Mr. Gillan was previously employed on the staff of the Illinois Commerce Commission as the Director of Market Structure, where he oversaw Commission policies that encouraged competition in the electric, gas and telecommunications industries.
- In addition to holding an MBA from Syracuse University, which included significant course work in accounting and finance, Ms. Choroser has significant experience in budgeting and establishing tariffs in the utility industry. Specifically, in the telecommunication industry, Ms. Choroser has experience with telecommunications tax and surcharge filings, including the preparation of the FCC Form 499-A.
- Mr. Tinic is Senior Vice President and Chief Information Officer of DISH Network where he leads IT strategy and operations for the DISH TV, Sling TV and Wireless Groups. His focus is on delivering best-in-class customer, employee and partner experiences across the company’s brands and businesses by delivering innovative technology services and solutions. Prior to his current role, he was Senior Vice President within Information Technology (IT) for CenturyLink,

where he held leadership roles in Technology Transformation, Enterprise Business Support Systems and oversight of IT for the international regions. During his tenure at Level 3 Communications, Inc., he was Chief Information Officer, responsible for all global information technology functions. This included system architecture, application development and support, IT Operations and program management. While at tw telecom, inc. (tw telecom), Mr. Tinic was Vice President of IT where he lead all functions around business support systems. Mr. Tinic was also responsible for revenue assurance and billing operations for 10 years while at tw telecom. In this role, he worked closely with the Controller and Chief Accounting Officer by managing internal controls that were subject to Sarbanes-Oxley (SOX) testing and reporting in conjunction with internal and external auditors. His significant experience in billing and financial systems provides a solid basis for understanding financial reporting and accounting controls.

The professional backgrounds noted above provide the Committee with adequate financial, telecommunications, and regulatory experience to sufficiently fulfill Committee roles and responsibilities. AAD has concluded that the members of the Committee as a whole fulfill the requirements for independence and financial literacy required by the Charter and recommends that the Committee accept this assessment.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED that the USAC Audit Committee accepts the assessment and agrees that the Audit Committee consists of independent members and that there is a sufficient level of financial expertise.

Audit and Assurance Business Update

Audit Committee

October 28, 2019



Universal Service
Administrative Co.

Available for Public Use

Agenda: Audit and Assurance

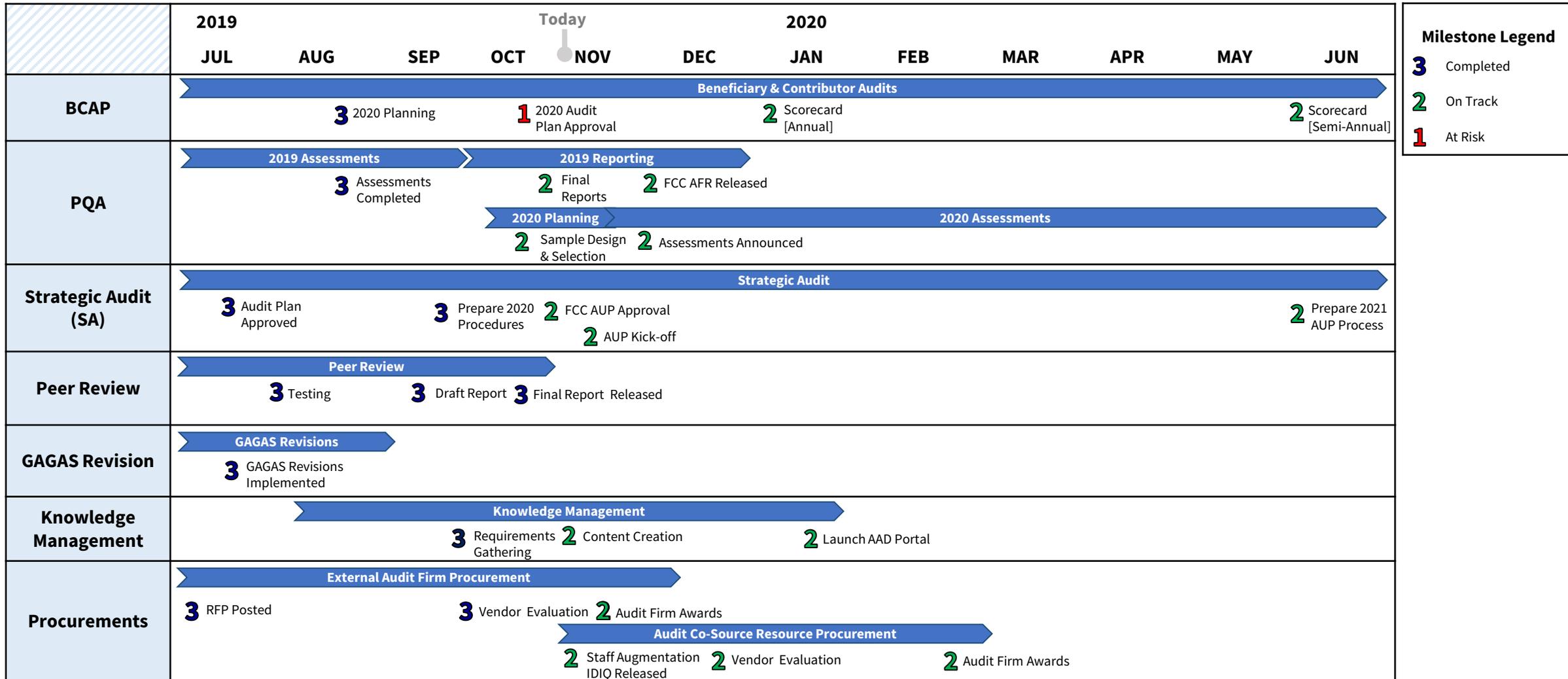
Topic	Description	Purpose	Presenter	Length
Recap	Action items and updates from the previous Audit Committee meeting	Informational	Teleshia	5 min
Audit and Assurance Division at a Glance	12-month overview of activities	Informational	Teleshia	10 min
Discussion Topics	<ul style="list-style-type: none"> Beneficiary and Contributor Audit Program (BCAP) Payment Quality Assurance (PQA) Strategic Audit (SA) 	Informational	Teleshia	15 min
Appendix A	Glossary	Informational	-	-
Appendix B	AAD Survey Details	Informational		

July 2019 Audit Committee Recap

Action items and updates from the previous Audit Committee meeting

Activity	Status
<p><u>BCAP</u>: For the AAD Operational Results, (1) provide the cumulative audit recommended recovery and recaptured amounts over the last three years, including the impact of appeals and any timing issues, and (2) classify the recaptured amounts in categories (e.g., USAC appeal, FCC appeal).</p>	<p>This item will be addressed when the AAD Operational Results are presented at the January 2020 Audit Committee meeting.</p>
<p><u>BCAP</u>: Identify which audit findings are new or novel when the audit reports are presented to the Board.</p>	<p>Beginning in January 2020, this information will be presented to the Board in Executive Session at the SL, HCLI, and RHC Committee quarterly meetings.</p>
<p><u>BCAP</u>: For the audit survey results, present Schools and Libraries audit response metrics by stakeholders.</p>	<p>This item is addressed in Appendix B – Survey Results. The Schools and Libraries dashboard is categorized by stakeholder type.</p>
<p><u>PQA</u>: When presenting the annual PQA results (i.e., calendar year 2018), please also provide results from January to July for informational purposes to illustrate the impact of the Lifeline universal forms that went into effect July 2018.</p>	<p>In executive session, the number and dollar amount of exceptions related to inadequate certifications will be presented.</p>
<p><u>PQA</u>: Provide two calculations for the Lifeline improper payment rate to see how the changes in the use of universal forms are helping to reduce the risk of improper payments. <i>This request was made during the October 2018 Audit Committee meeting.</i></p>	<p>In executive session, the number and dollar amount of exceptions related to inadequate certifications will be presented.</p>
<p><u>PQA</u>: What is the PQA trend related to last year? <i>This request was made during the April 2019 Audit Committee meeting.</i></p>	<p>This item is addressed in the AAD Business Update. The Fiscal Year 2018 improper payment results are compared to the Fiscal Year 2019 improper payment results to identify the trends.</p>

Audit and Assurance Division at a Glance



Discussion Topic – BCAP

Current Status

- BCAPx task orders to support the Fiscal Year 2019 plan were awarded and the initiation phase was started. Sixty-six audits will be performed under the 5 task orders.
- BCAPx IDIQ renewal for external audit services was posted and the evaluation process is completed. Audit firm recommendations is presented to the Board of Directors.
- Preparation of the BCAP Fiscal Year 2020 plan is underway. AAD will continue to use a hybrid selection approach.

Challenge and Mitigation Plan

- Challenge: Completing the annual audit plan timely due to attrition.
- Mitigation Plan: AAD will continue with its newly implemented audit resource strategy of cross-functional teams in order to promote knowledge transfer and succession planning.

BCAP Status As of September 20, 2019				
Program	Announced	Fieldwork	Reporting	Total
Contributor Revenue	0	7	2	9
High Cost	0	7	15	22
Lifeline	0	11	6	17
Schools and Libraries	0	18	23	41
Rural Health Care	0	2	2	4
Total	0	45	48	93

Discussion Topic – PQA

Current Status

- The PQA team has completed the Fiscal Year 2019 assessments.
- Planning is underway for the Fiscal Year 2020 plan. The PQA team is currently updating the FY 2020 PQA Assessment Procedures and FY 2020 is expected to begin in November 2019.
- For the first time, post assessment surveys were sent to the beneficiaries’ primary points of contact. The results are presented in Appendix B – Survey Results.

PQA Status As of September 20, 2019				
Program	Sample Size	Announced	In Progress	Completed
High Cost	200	200	0	200
Lifeline	278	278	0	278
Schools and Libraries	360	360	0	360
Rural Health Care	410	410	38	372
Total	1,248	1,248	38	1,210

Discussion Topic – Strategic Audit

Current Status

- Ongoing Audits
 - Service Level Agreement between USAC and Sutherland
 - Service Level Agreement between USAC and Conduent
- Other Activities
 - Coordination of the 2019/2020 Agreed Upon Procedures engagement

Challenge and Mitigation Plan

- None at this time.

Appendix A: 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 engagement 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).
Holding Company Audit	FCC Chairman Pai directed USAC on July 11, 2017 to identify and audit the top ten eligible telecommunications carriers with the highest number of potentially ineligible subscribers based on the results of a Government Administrative Office (GAO) Report.
Forensic Audit	The Chairman of the Committee on Homeland Security and Governmental 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.

Appendix A: 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.
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).
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	Strategic Audit. The internal audit team within AAD that performs audits of USAC's operations (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.

APPENDIX B

AAD SURVEY DETAILS

Post Audit/Assessment Survey

- Surveys for BCAP, PQA, and SA functions within AAD
- Survey categories:
 - › Professionalism
 - › Communications
 - › USAC outreach methods (BCAP only)
 - › Helpfulness avoiding common audit findings (BCAP only)
- Efforts to increase survey response rate:
 - › Improve the reminder email distribution process to ensure survey responses are received from all audit points of contact, if possible.
 - › USAC Director will perform a follow-up communication with the audit point of contacts in the event no survey responses were received.

Strategic Audits and PQA Surveys

PQA

- › Implemented September 2019.
- › Surveys were distributed by contact name rather than individual case since multiple cases could be assigned to one individual.

Strategic Audits

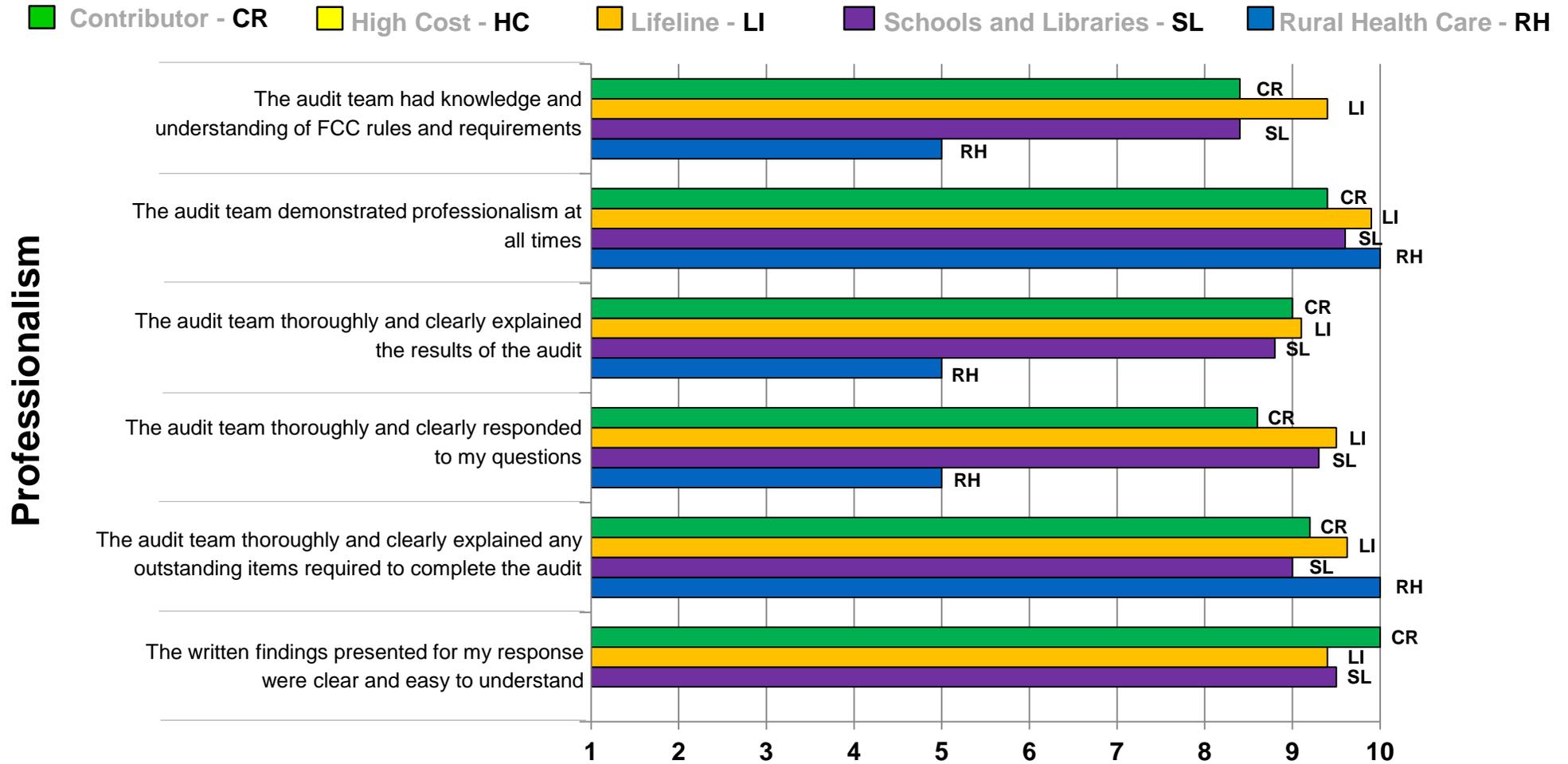
- › Implemented May 2019.
- › Survey data is *thin* due to limited number of audits.

	PQA Cases	Strategic Audits
Cases/Audits	1,248	2
Surveys Sent	722	5
Responses Received	302	4
Response Rate	42%	80%

BCAP Survey: Professionalism

Briefing book includes all materials discussed in Executive Session.

All Survey Responses from July 2018 – September 2019

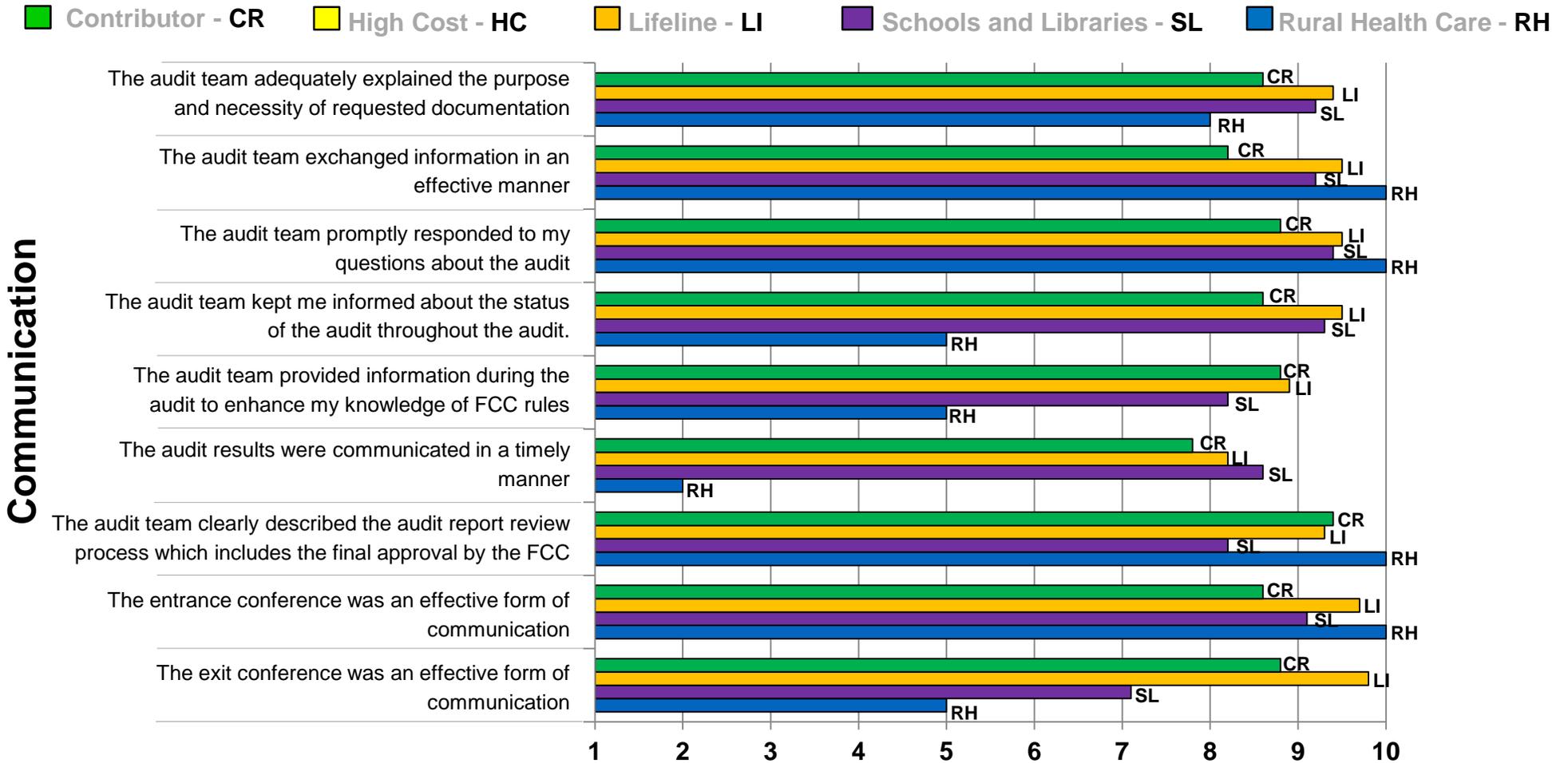


	CR	HC	LI	SL	RH	All
Surveys Sent	9	10	28	36	2	85
Audits with 1 or more Responses	4	0	14	14	1	33
Response Rate	44%	0%	50%	39%	50%	39%

BCAP Survey: Communication

Briefing book excludes all materials discussed in Executive Session.

All Survey Responses from July 2018 – September 2019

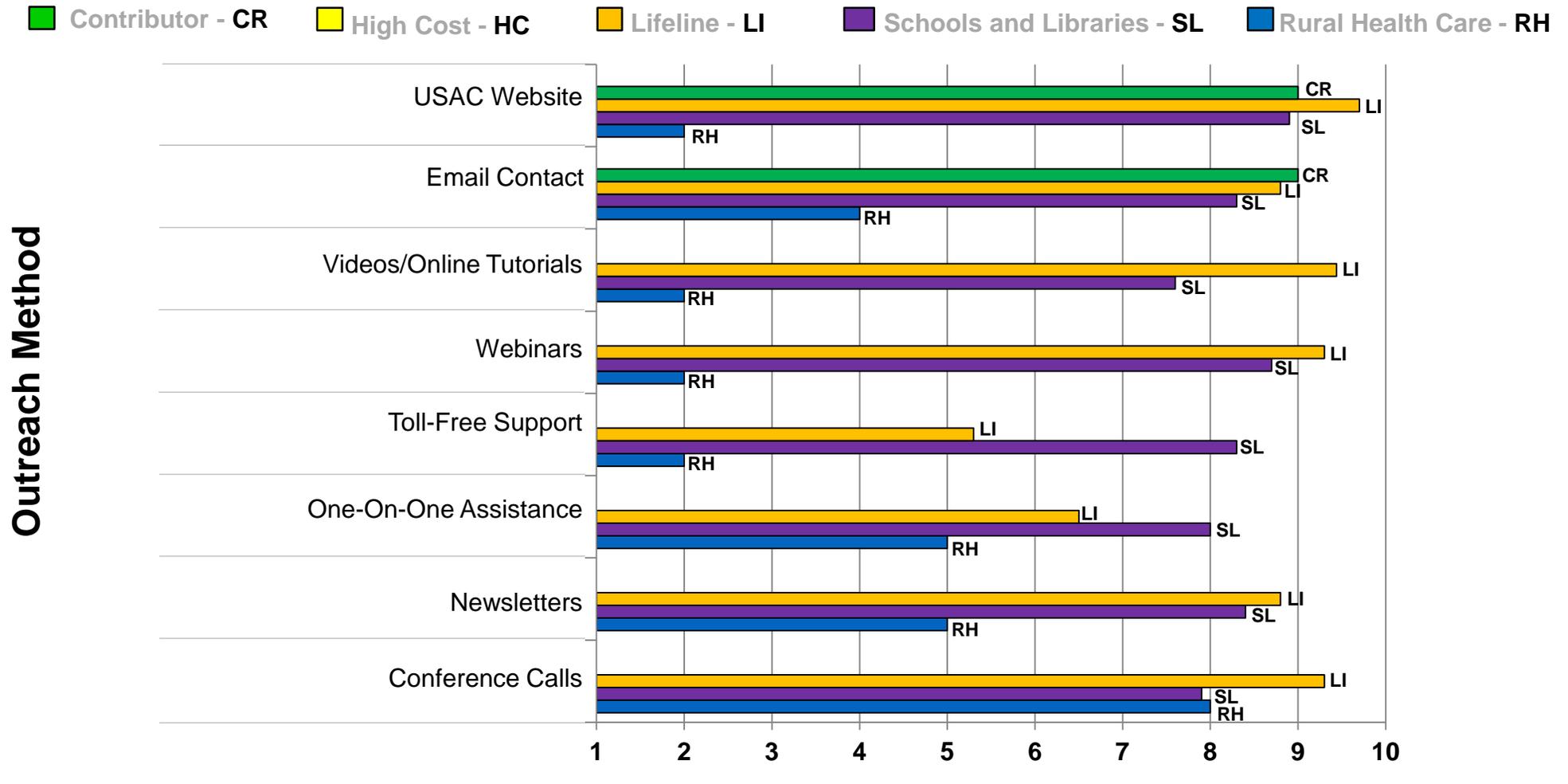


	CR	HC	LI	SL	RH	All
Surveys Sent	9	10	28	36	2	85
Audits with 1 or more Responses	4	0	14	14	1	33
Response Rate	44%	0%	50%	39%	50%	39%

BCAP Survey: USAC Outreach

Briefing book excludes all materials discussed in Executive Session.

0-1 Audit Findings

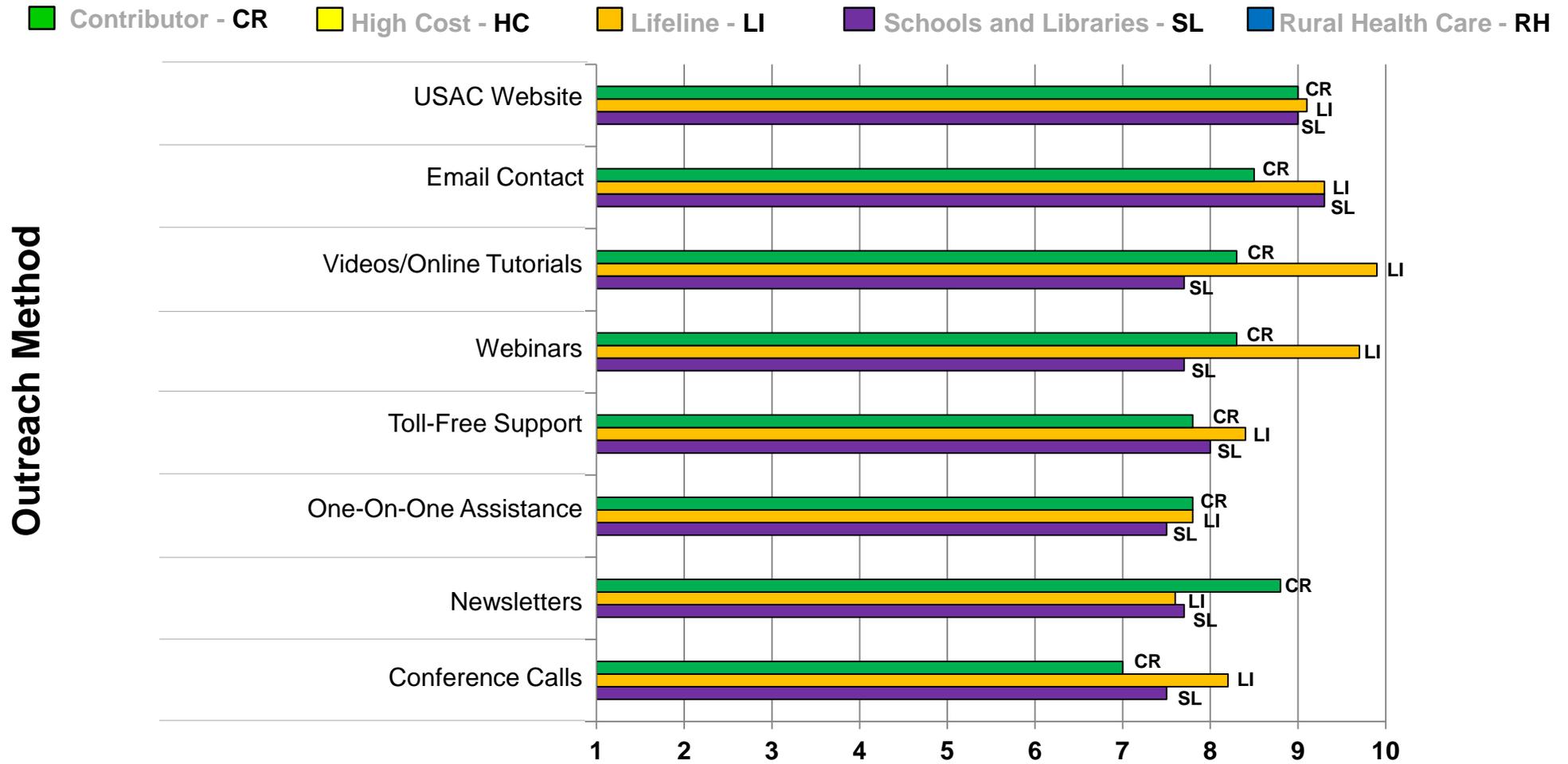


	CR	HC	LI	SL	RH	All
0-1 Findings	1	0	7	12	1	21
2+ Findings	3	0	7	2	0	12
All Responses	4	0	14	14	1	33

BCAP Survey: USAC Outreach

Briefing book excludes all materials discussed in Executive Session.

2+ Findings



	CR	HC	LI	SL	RH	All
0-1 Findings	1	0	7	12	1	21
2+ Findings	3	0	7	2	0	12
All Responses	4	0	14	14	1	33

BCAP Survey: Professionalism and Communication

Survey Responses from July 2018 – September 2019

Category	Highest/Lowest Scored Question	Contributor	High Cost	Lifeline	Schools and Libraries	Rural Health Care	All
Professionalism	Highest: Demonstrated Professionalism	9.4	N/A	9.9	9.6	10.0	9.7
	Lowest: Knowledge and Understanding of FCC Rules and Requirements	8.4	N/A	9.4	8.4	5.0	7.8
Communication	Highest: Audit Team promptly responded to audit questions	8.8	N/A	9.5	9.4	10.0	9.4
	Lowest: Audit results were communicated timely	7.8	N/A	8.2	8.6	1.0	6.4

	CR	HC	LI	SL	RH	All
Surveys Sent	9	10	28	36	2	85
Audits with 1 or more Responses	4	0	14	14	1	33
Response Rate	44%	0%	50%	39%	50%	39%

BCAP Survey: Schools and Libraries Responses by Entity Type

All Survey Responses from July 2018 – September 2019

Entity Type	Professionalism	Communication	Outreach Methods	Common Findings*	Average
Consortium	9.2	8.1	4.1	4.4	6.5
School District	10.0	8.3	3.5	7.2	7.3
School	8.4	7.2	1.0	8.1	6.2
Library	8.8	8.4	4.2	5.0	6.6
Service Provider	10.0	10.0	3.4	6.0	7.4

*Common Findings Score represents the effectiveness of the information USAC provides the beneficiary to avoid common findings.

BCAP Survey: Common Findings – Contributor Revenue

All Survey Responses from July 2018 – September 2019

Common Finding	Score*
Customer Category – End User Vs. Reseller	6.6
Toll Service Revenues	6.6
Fixed Local Service Revenues	6.6
Non-Telecommunications and Information Service Revenues	6.6
Private Line Revenue(s)	5.6
Average Score	6.4

**Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings. Score calculated based on 4 responses.*

BCAP Survey: Common Findings – High Cost

All Survey Responses from July 2018 – September 2019

Common Finding	Score
47 C.F.R. § 64.901 - Improper Inclusion of Non-Regulated Amounts	N/A
47 C.F.R. § 54.202(e) - Lack of/Inadequate Documentation	N/A
47 C.F.R. § 32.27 - Improper Affiliate Transactions	N/A
47 C.F.R. § 54.202(e) - Inaccurate Data (reported amount does not agree to supporting documentation)	N/A
47 C.F.R. § 64.901 - Improper Allocation Methodology	N/A
Average Score	N/A*

* No surveys were submitted for High Cost during the response period.

BCAP Survey: Common Findings – Lifeline

All Survey Responses from July 2018 – September 2019

Common Finding	Score*
47 C.F.R. § 54.417(a) - Lack of/Inadequate Documentation	8.6
47 C.F.R. § 54.400(g) - Duplicate addresses (same subscribers) and/or telephone numbers	8.4
47 C.F.R. § 54.407(a) - Inaccurate Form 497 Reporting	8.2
47 C.F.R. §§ 54.410(d) & 54.410(f)(2)(iii) - Improper Certification and/or Recertification Documentation Disclosures	8.5
47 C.F.R. § 54.403(a)(1)(2) - Improper Lifeline Discount Amount	8.1
Average Score	8.4

**Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings. Score calculated based on 14 responses.*

BCAP Survey: Common Findings – School and Libraries

All Survey Responses from July 2018 – September 2019

Common Finding	Score*
Service Provider or Beneficiary Over-Invoiced SLP - Beneficiary Over-Invoiced SLP for Ineligible Services and Equipment	8.9
Lack of or Inadequate Documentation - Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471	8.3
Beneficiary Did Not Pay Non-Discounted Share - Untimely Payments to Service Provider	8.8
Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471	8.3
Invalid Contract	8.5
Average Score	8.6

**Score represents the effectiveness of the information USAC provides to the beneficiary to avoid the common findings. Score calculated based on 14 responses.*

BCAP Survey: Common Findings – Rural Health Care

All Survey Responses from July 2018 – September 2019

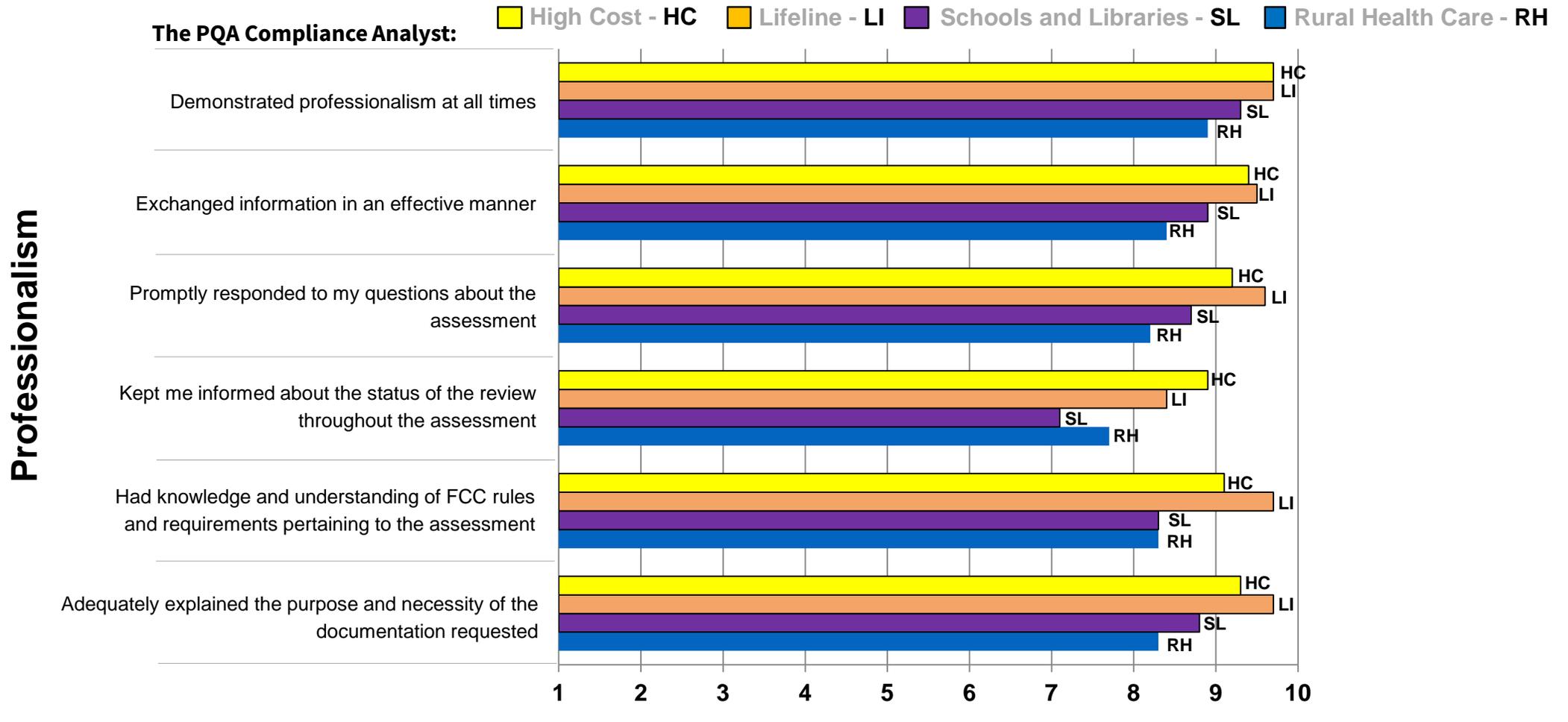
Common Finding	Score*
Pilot Program Selection Order, 22 FCC Rcd at 20415, ¶ 104 - Service Provider Involvement in Beneficiary's Competitive Bidding Process	6.0
47 C.F.R. § 54.601(a) - Entity Ineligible for RHCP Support	2.0
47 C.F.R. § 54.615(c)(4) - Services Not Used Solely for the Provision of Health Care	5.0
Pilot Program Selection Order, 22 FCC Rcd at 20399, ¶ 76 - Beneficiary Did Not Apportion Ineligible Costs for Services Delivered to Ineligible Site	5.0
47 C.F.R. § 54.619(a) - Lack of Documentation	8.0
Average Score	5.2

**Score represents the effectiveness of the information USAC provides to the beneficiary to avoid the common findings. Score calculated based on 1 response.*

PQA Survey: Professionalism

Briefing book excludes all materials discussed in Executive Session.

All Survey Responses from September 19, 2019 – October 7, 2019

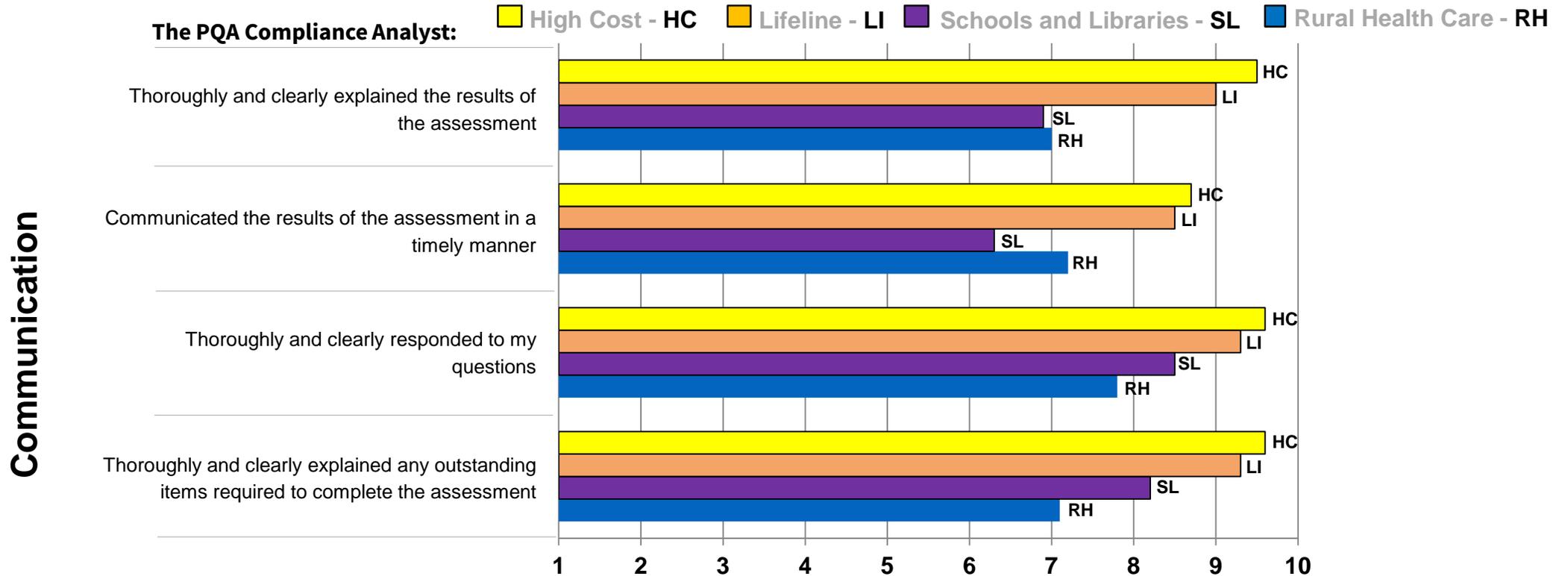


	HC	LI	SL	RH	Total
Cases	200	278	360	410	1,248
Surveys Sent	160	76	266	220	722
Responses Received	34*	42*	143*	83*	302
Response Rate	21%*	55%*	54%*	38%*	42%

*Responses Received and Response Rate were extrapolated based on the association of Contact to Program.

PQA Survey: Communication

All Survey Responses from September 19, 2019 – October 7, 2019

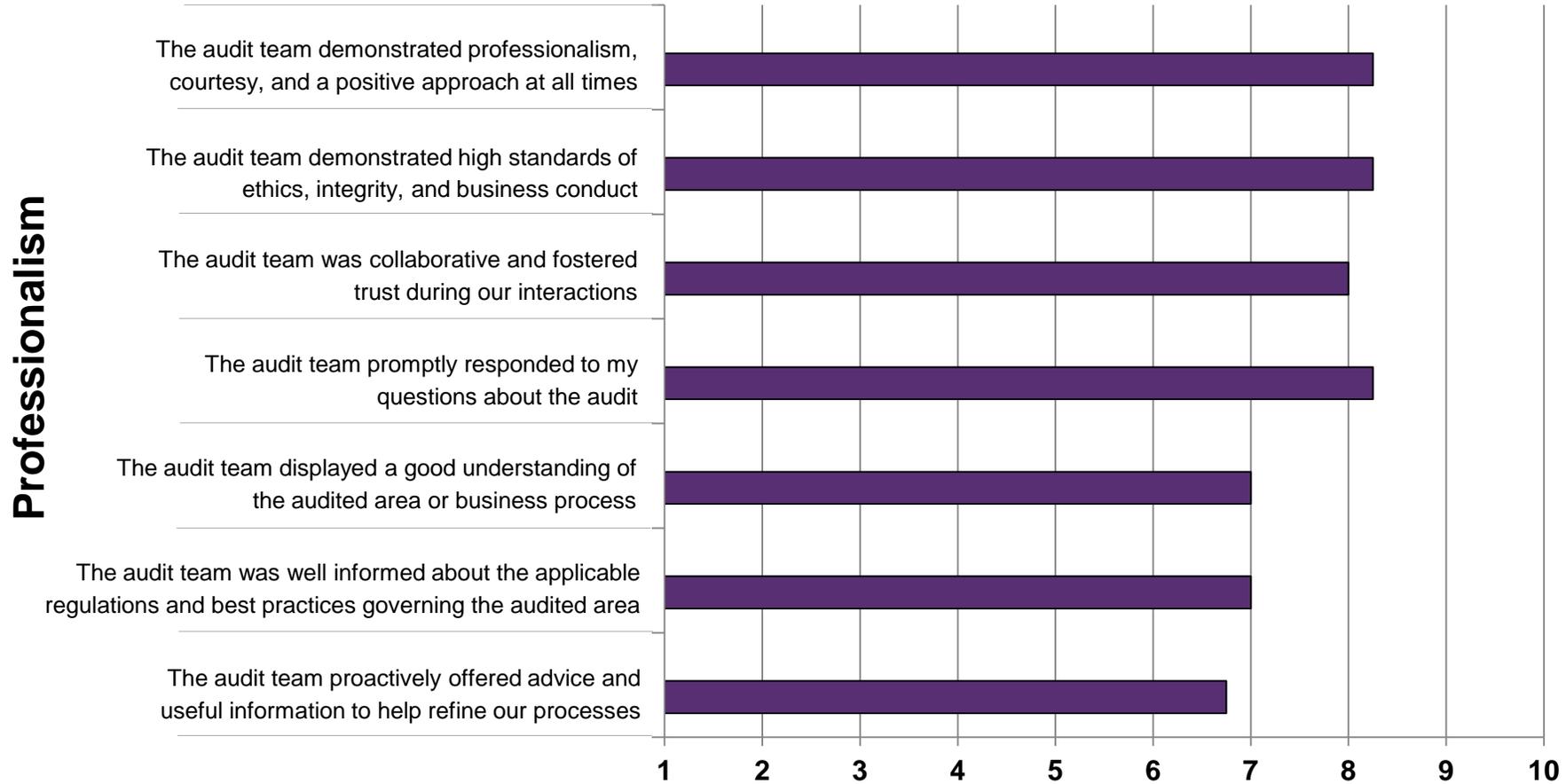


	HC	LI	SL	RH	Total
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Strategic Audits Survey: Professionalism

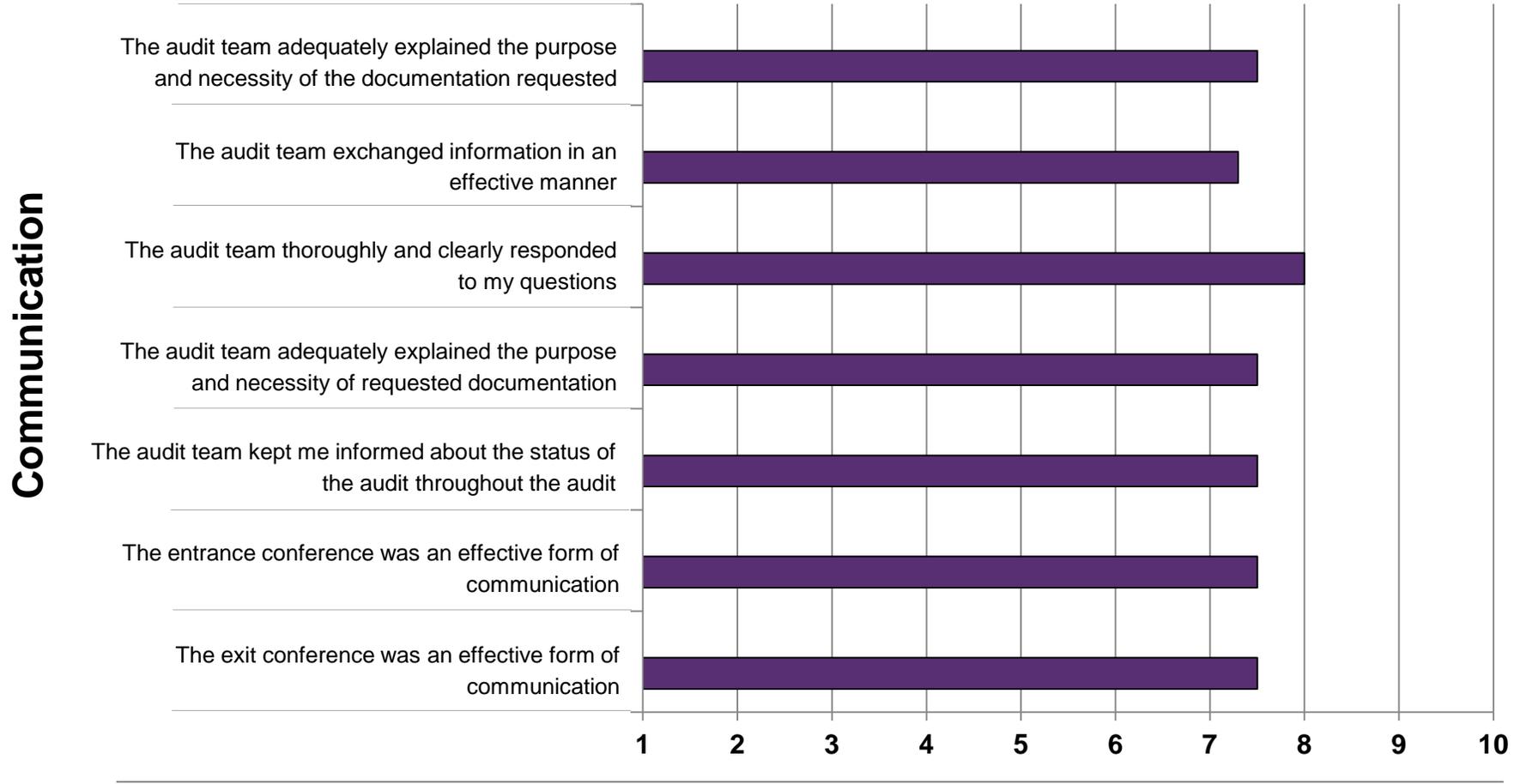
All Survey Responses from May 2019– September 2019



	Strategic Audits
Audits	2
Surveys Sent	5
Responses Received	4
Response Rate	80%

Strategic Audits Survey: Communication

All Survey Responses from May 2019– September 2019



	Strategic Audits
Audits	2
Surveys Sent	5
Responses Received	4
Response Rate	80%