



Audit Committee

Briefing Book

January 25, 2021

Virtual Meeting

Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, D.C. 20005

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

USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005

MONDAY, JANUARY 25, 2021 10:00 A.M. – 10:40 A.M. EASTERN TIME <u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	a1. Consent Items (each item is available for discussion upon request): A. Approval of Audit Committee Meeting Minutes of October 26 and October 27, 2020. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> C. Review of the 2021 Audit Committee Charter	5
Chair	a2. Recommendation for Election of Committee Chair and Vice Chair	5
Charlie	i1. Information on Fiscal Year 2020 FCC Agency Financial Report / USF Audit	10
Teleshia	i2. Audit and Assurance Business Update <ul style="list-style-type: none"> • October 2020 Audit Committee Recap • 2020 Accomplishments • Operational Results • 2021 Outlook 	30

TUESDAY, JANUARY 26, 2021 10:00 A.M. – 10:15 A.M. EASTERN TIME <u>EXECUTIVE SESSION</u> Confidential – <i>Executive Session Recommended</i>		<i>Estimated Duration in Minutes</i>
Teleshia	a3. Action on One USAC Audit and Assurance Division Strategic Audit Report	10

Next Scheduled USAC Audit Committee Meeting

April 26-27, 2021 Virtual Meeting
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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 resolution below:

- A. Committee meeting minutes of October 26 and October 27, 2020 (*see Attachment A-1 and A-2*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a3** – Action on One USAC Audit and Assurance Division Strategic Audit Report. USAC management recommends that this matter be discussed in *Executive Session* because these reports relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- C. Review of the 2021 Audit Committee Charter. In accordance with USAC’s Audit Committee Charter (Charter), Section III.A.1, the Audit Committee (Committee) of the USAC Board of Directors (Board) is required to review and reassess the adequacy of the Charter at least annually, and recommend changes, as deemed necessary, to the Board. (*see Attachment C-2* provides the existing Charter in redline and **Attachment C-3** provides the revised Charter in clean version).

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 October 26 and October 27, 2020; and (2) discussion in *Executive Session* of the item noted above; and

RESOLVED, that the USAC Board of Directors, having reviewed

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the revised Audit Committee Charter presented by the Audit Committee, hereby accepts the recommendation of the Audit Committee and approves the revised Audit Committee Charter.

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

AUDIT COMMITTEE MEETING
Monday, October 26, 2020

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the quarterly *Open Session* meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Monday, October 26, 2020. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 10:59 a.m. Eastern Time, with a quorum of all five Committee members present:

Choroser, Beth – Vice Chair	Gillan, Joe
Feiss, Geoff – Chair	Tinic, Atilla
Fontana, Brent	

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Shared Services
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Chief Administrative Officer
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Freeman, Sarah – Member of the Board
Gaither, Vic – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resources Program
Gerst, Matthew – Member of the Board
Gillan, Joe – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Mason, Ken – Member of the Board
Salvator, Charles – Vice President, 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
Wade, Dr. Joan – Member of the Board
Waller, Jeff – Member of the Board
Wein, Olivia – Member of the Board

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.

Others present:

<u>NAME</u>	<u>COMPANY</u>
Augustino, Steve	Kelley Drye & Warren LLP
Benham, Cathy	CMS Consulting Inc.
Campos, Rosy	CMS Consulting Inc.
Carlin, Tyler	KPMG
DiVo, Victor	USAC
Goode, Vernell	USAC
James, Christine	USAC
Kaplan, Peter	Hewlett Packard Enterprise
Kriete, Debra	SECA
Lee, James	USAC
LeNard, David	E-Rate Elite Services, Inc.
Little, Chris	USAC
Lock, Sean	Funds for Learning
McCornac, Carolyn	USAC
Mitchell, Tamika	USAC
Morning, Kimberly	USAC
Nelbach, Nick	USAC
Nuzzo, Patsy	USAC
Rivera, Dan	Aruba
Samuels, Victoria	USAC
Tiwari, Tanya	USAC

OPEN SESSION

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

- a1. Consent Items.** Mr. Feiss presented this item to the Committee.
- A.** Committee meeting minutes of July 27, 2020 and July 28, 2020.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - **i2** – 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.
 - **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.

- **a3** – Review of the Revised Strategic Audit Plan. 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.

- C. Acceptance of the Annual Assessment of the Independence and Financial Literacy of USAC Audit Committee Members. In accordance with Section II.A of the Committee’s Charter, the Committee members are required to meet established independence requirements

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

RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of July 27 and July 28, 2020; and (2) discussion in *Executive Session* of the items noted above; and

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.

- ii. Audit and Assurance Division Business Update.** Ms. Delmar presented an update on the Audit and Assurance Division (AAD) administration that included operational work performed in the Beneficiary and Contributor Audit Program (BCAP), the Payment Quality Assurance (PQA) Program, and the Strategic Audit function within AAD. A Q3 2020 Update on Audit and Assurance Administration report was provided for *information only*. The report was publically posted on the USAC’s website. No discussion was held.

At 11:08 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned until October 27, 2020 at approximately 10:30 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Tuesday, October 27, 2020

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore the quarterly *Executive Session* meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Tuesday, October 27, 2020. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 10:30 a.m. Eastern Time, with a quorum of all five Committee members present:

Choroser, Beth – Vice Chair	Gillan, Joe
Feiss, Geoff – Chair	Tinic, Atilla
Fontana, Brent	

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Shared Services
Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Chief Administrative Officer
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Freeman, Sarah – Member of the Board
Gaither, Vic – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resource Program
Gerst, Matthew – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Mason, Ken – Member of the Board
Polk, Stephanie – Member of the Board
Salvator, Charles – Vice President, 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
Wade, Dr. Joan – Member of the Board
Waller, Jeff – Member of the Board
Wein, Olivia – Member of the Board
Wibberly, Dr. Kathy – Member of the Board

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.

Others present:

<u>NAME</u>	<u>COMPANY</u>
DiVo, Victor	USAC
Goode, Vernell	USAC
James, Christine	USAC
Lee, James	USAC
Mitchell, Tamika	USAC
Morning, Kimberly	USAC
Nelbach Nick	USAC
Nuzzo, Patsy	USAC
Samuels, Victoria	USAC
Tiwari, Tanya	USAC

OPEN SESSION

At 10:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing confidential items. The Committee approved discussing the confidential items in *Executive Session* on Monday, October 26, 2020. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

- i2. **Audit and Assurance Business Update (Continued).** Ms. Delmar presented PowerPoint slides covering the following topics to the Committee for discussion:
- National Supply Chain Audit Strategy
 - Payment Quality Assurance Results
- a2. **Review of the Audit and Assurance Division Charter.** Ms. Delmar presented a report to the Committee suggesting minor revisions the Charter. After discussion, the Committee agreed to approve the changes, but agreed to continue discussion on Section 7. Scope and Function of Audits.

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

RESOLVED, that the Audit Committee of the USAC Board of Directors, approves the recommended changes to the Audit and Assurance Division Charter.

- a3. **Review of Revised Strategic Audit Plan.** Ms. Delmar presented a report to the Committee suggesting revisions to the July 2019 – December 2020 Strategic Audit Plan.

On a motion duly made and seconded and after discussion, the Board adopted the

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following resolution:

RESOLVED, that the USAC Audit Committee approves the Revised July 2019 – December 2020 Strategic Audit Plan.

OPEN SESSION

At 11:22 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 took action on items a2 and a3 and discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 11:23 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

**Universal Service Administrative Company
Audit Committee Meeting**

ACTION ITEM

Review of the 2021 Audit Committee Charter

Action Requested

In accordance with USAC's Audit Committee Charter (Charter), Section III.A.1, the Audit Committee (Committee) of the USAC Board of Directors (Board) is required to review and reassess the adequacy of the Charter at least annually, and recommend changes, as deemed necessary, to the Board.

Discussion

USAC Audit and Assurance Division (AAD) staff and Committee members reviewed the Charter to determine if any changes should be recommended to the Committee and the Board of Directors for consideration. AAD recommends changes to reflect current practices and to delineate responsibilities that are governed by the full USAC Board of Directors.

Attachment C-2 provides the existing Charter in redline version and **Attachment C-3** provides the revised Charter in clean version.

The Committee recommends that the Board approve the revised Charter.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

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

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
AUDIT COMMITTEE CHARTER**

January 20202021

- I. Audit Committee Purpose, Duties, and Responsibilities.
- A. The Audit Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) shall provide assistance to the Board of Directors (Board) in fulfilling the Board’s oversight responsibilities relating to corporate accounting, financial reporting practices, internal control over operations (internal controls), Universal Service Fund program integrity, ~~enterprise risk management~~, and all aspects of corporate compliance with applicable law.
- B. The Committee’s primary duties and responsibilities shall be as follows:
1. Oversee management’s efforts to maintain the reliability and integrity of USAC’s accounting policies and financial reporting practices.
 2. Oversee management’s efforts to establish, maintain, and review processes that assure that an adequate system of internal control is functioning within USAC through the execution of operational, ~~and~~ Universal Service Fund Beneficiary and Contributor audits, and the required annual financial statement audit and agreed upon procedures review.
 3. Oversee management’s efforts to establish, maintain, and review processes that assure compliance by USAC with all applicable laws.
 4. Develop and oversee a Strategic Audit Plan to verify USAC’s financial and operational integrity.
 5. Provide an avenue of communication between USAC’s independent financial statement auditors, USAC management (including but not limited to the Chief Executive Officer, the Vice President of Finance and Chief Financial Officer, the Vice President and General Counsel, and the Vice President of each USAC programmatic division), the Vice President of Audit and Assurance, and the Board.
 6. Provide insight and recommendations to establish cost effective Universal Service Fund strategic audit plans that include a focus on high risk areas as identified through audit results and data analytics. Also, assist USAC by providing solutions to mitigate common audit findings and suggestions to build a more collaborative audit experience for Universal Service Fund participants.

II. Audit Committee Composition, Appointment, and Meetings.

A. Composition

1. The Committee shall consist of five Board members:
 - a. At least one representative from each of the three programmatic committees of the Board (the High Cost & Low Income Committee, the Rural Health Care Committee, and the Schools & Libraries Committee). The Chairperson of the Audit Committee will serve as a member of the Executive Committee.
 - b. Two at-large Board members.
 - c. At least one Committee member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.
2. Each member of the Committee shall meet each of the following independence requirements:
 - a. Is not and has not been employed in an executive capacity by USAC for at least five years prior to appointment to the Committee.
 - b. Is not an advisor or consultant to USAC, and does not have a personal services contract or other business relationship with USAC.
 - c. 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 USAC management.

B. Appointment

1. The members of the Committee shall be appointed annually by the Board. Each member shall hold office until he/she resigns, is removed or until a successor is appointed by the Board.
2. The Board shall appoint one of the members of the Committee as Chair and another as Vice Chair.

C. Meetings

1. The Committee shall meet at least quarterly and at such other times as the Committee deems necessary.
2. The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of Audit and Assurance, and representatives of the independent financial auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

3. The Committee may direct any member of the Board, officer, or employee of USAC or advisor to USAC, including outside counsel or independent auditors, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall advise the Board of all such special meetings either prior to the meeting or promptly thereafter.

III. Responsibilities and Duties

A. Review of Documents, Reports, and Assessments

1. Review and reassess, at least annually, the adequacy of the Committee Charter and make recommendations to the Board, as deemed necessary.
2. Review, in conjunction with management and representatives of the independent auditing firm retained by USAC, the annual financial statements and the audit reports included with those statements and the annual agreed upon procedures review report.
 - a. Discuss with management and the independent auditors significant issues regarding accounting principles, practices, and judgments.
 - b. Discuss any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
 - c. Discuss any significant exceptions in the agreed upon procedures review report.
3. Annually develop and approve a Strategic Audit Plan in consultation with the Vice President of Audit and Assurance. In addition to projects outlined in the Strategic Audit Plan, the Committee may from time to time request additional specific operational and/or financial audits.
4. Review USAC financial, operational and compliance audit reports prepared by the independent auditors or the Audit and Assurance Division and management's response thereto.
5. Review, at least annually, a summary report of common audit findings concerning Universal Service Fund beneficiary and contributor audits performed under the Universal Service Fund Beneficiary and Contributor Audit Program.
 - a. Discuss audit results to highlight areas of high risk for consideration in developing future Universal Service Fund audit plans; identify FCC rules that may require revision to improve compliance among beneficiaries and contributors; and propose suggestions for improving audit efficiency among beneficiaries and contributors.

- b. Provide insight to the Audit and Assurance Division by providing suggested approaches to avoid common audit challenges and solutions to build a more collaborative audit experience for Universal Service Fund participants.
 6. Review with management, the independent or external auditors, and the Vice President of Audit and Assurance any significant findings of the reports, management's response thereto, and any significant difficulties encountered during the course of the review or audit, including any restrictions on the objectives or scope of work or access to required information.
- B. Oversight of Independent Auditing Firm(s) Retained by USAC for the Annual Financial and Agreed-Upon Procedures Review
 1. Initially select, periodically evaluate (at least annually), and replace as necessary the independent auditing firm(s) retained by USAC for the Annual Financial and Agree-Upon Procedures review, subject to the requirement to obtain the approval of the Board for expenditures in excess of the amount set forth in Section III.H.4. of this Audit Committee Charter, *provided*, however, that nothing herein shall affect the authority of the programmatic committees of the Board to select, evaluate, and replace independent auditing firms with respect to the audits of beneficiaries and contributors of the universal service support mechanisms when deemed necessary by the Committee or the Vice President of Audit and Assurance.
 2. Oversee the independence of the independent auditing firm(s) retained by USAC by reviewing and discussing with each auditor a formal written statement concerning their independence and the nature of the relationship, if any, between the auditor and the USAC.
 3. Approve any significant non-audit related services to be provided by an independent auditing firm retained by USAC.
- C. Review and Oversight of USAC's Financial Reporting Process, Financial Statement Audit
 1. Review the integrity of USAC's financial reporting process, at least annually, in consultation with: (i) the independent auditing firm(s) retained by USAC, (ii) the Vice President of Finance and Chief Financial Officer, and (iii) the Chief Executive Officer.
 2. Review significant changes to USAC's auditing and accounting principles and practices as suggested by an independent auditing firm retained by USAC, the Vice President of Finance and Chief Financial Officer, or the Vice President of Audit and Assurance.
 3. Require and timely review reports from the independent auditing firm(s) retained by USAC relating to the following:

- a. All significant accounting policies and practices to be used.
 - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditing firm.
 - c. Other written communications between the independent auditors and management, such as any management letter or schedule of adjusted differences.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of the USAC financial statements, and management's response thereto.
- D. Oversight of the Operational Reporting Process, Agreed-Upon Procedures Review
1. In consultation with the independent auditing firm(s) retained by USAC and the Vice President of Audit and Assurance, review the integrity of internal controls and operating procedures and any exceptions identified in the agreed-upon procedures reviews.
 2. Review changes to USAC's internal controls or operating procedures and practices for consistency with suggestions of an independent auditing firm retained by USAC, management, or the Vice President of Audit and Assurance.
 3. Ensure and oversee timely reports from the independent auditing firm(s) retained by USAC to the Audit Committee.
 4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of USAC's agreed upon procedures report and management's response thereto.
- E. Oversight of Audit and Assurance Division
1. Review and approve the Audit and Assurance Division Charter, organizational structure, budget, activities, and significant changes to the Strategic Audit Plan, as needed.
 2. Review and approve the appointment, replacement, reassignment or material changes in the role and/or responsibility of the Vice President of Audit and Assurance Division.

3. Review the effectiveness of the internal audit activities, including compliance with Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States (as amended) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
4. Review reports of whistleblower complaints received by the Vice President of Audit and Assurance. Such reports shall be prepared jointly by the Vice President of Audit and Assurance and USAC's Office of General Counsel.

F. Assessment of Internal Controls, Annual Report on Internal Controls

1. Review with management, the independent auditors, ~~and~~ the Vice President of Audit and Assurance and the USAC Board of Directors, the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimize such risks and exposures to the Company.
2. Review with management, the independent auditors, and the Vice President of Audit and Assurance the adequacy of the Company's system of internal controls as noted in the Annual Report on Internal Controls as issued by the independent auditing firm.
3. Establish and maintain procedures for the following activities:
 - a. The receipt, retention, and treatment of complaints received by USAC regarding accounting, internal controls, operating procedures, or auditing matters.
 - b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

G. Compliance With Applicable Law

1. In consultation with the Vice President and General Counsel, review at least annually any legal matters that could have a significant effect on the USAC's operations, financial statements, and reports received from regulators.
2. In consultation with the Vice President and General Counsel, review the processes established to assure compliance by USAC with all applicable laws.
3. Review the results of any investigations concerning waste, fraud, abuse, and/or accounting irregularities and make recommendations for remedial action, if appropriate.

H. Other Responsibilities of the Audit Committee

1. Periodically report to the Board through the Committee Chair or pursuant to other means acceptable to the Board.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Perform any other activities consistent with the Committee Charter, USAC's By-laws, and applicable laws, as the Committee or the Board deems appropriate.
4. When deemed appropriate by the Committee, the Committee will retain outside legal, accounting, or other advisors or consultants to advise and assist the Committee, without needing to seek approval for the retention of such advisors or consultants from the Board, *provided* that the cost is less than \$250,000 in any single calendar year. If the cost for such purpose exceeds \$250,000 in a calendar year, the Committee shall obtain Board approval before engaging or continuing to engage an outside advisor or consultant.

IV. Limitations on Responsibilities and Duties of Audit Committee Members and Audit Committee

- A. The responsibility of the Committee is oversight. USAC management is responsible for the USAC financial statements as well as financial reporting processes, principles, and internal controls. The independent auditing firm(s) retained by USAC is/are responsible for performing audits of the annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and other procedures. The members of the Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting.
- B. Each member of the Committee shall be entitled reasonably to rely on the following:
 1. The integrity of those persons within USAC and of the professionals and experts (such as the independent auditors) who provide professional advice and information to the Committee and/or USAC.
 2. The accuracy of the financial and other information provided to the Committee by such persons, professionals, or experts, absent actual knowledge to the contrary.
- C. Pursuant to USAC By-Laws and FCC rules, the programmatic committees of the Board have the authority for the performance of audits of beneficiaries of the respective support mechanisms and the full Board has the authority for the performance of audits of contributors to the Universal Service Fund. The Audit

Committee shall provide advice and assistance to the programmatic committees in support of the primary role of the programmatic committees with respect to audits of beneficiaries and the Board with respect to audits of contributors.

V. Procedures for Discussing Matters in *Executive Session*

- A. In general, any USAC Board member may attend any meeting of the Committee, including *Executive Sessions*, as an observer, even though the person is not a member of the Audit Committee. The exceptions to this general rule are as follows:
1. Where the Board member is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the conflict of interest, the Committee or any member thereof may raise the issue for consideration. The Board member may self-recuse from the meeting or, upon the vote of the Committee, be excluded from the relevant portion of the *Executive Session* of the Committee meeting.
 2. Where a Board member seeking to attend an *Executive Session* of the Committee is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the actual or the potential conflict of interest, the Committee or any member thereof may raise the issue for consideration. Where disclosure and/or discussion of the specific issue or potential conflict of interest would compromise the integrity of the Universal Service Fund, the Committee shall exclude all persons other than Audit Committee members.
 3. Where the Committee wishes to meet with USAC's independent auditing firm, the Vice President of Audit and Assurance, the Vice President and General Counsel, the Vice President of Finance and Chief Financial Officer, and/or other representatives to discuss or seek assurances concerning any significant difficulties encountered during the course of a review or audit, including any restrictions on the scope of work or access to required information, or matters of a similar nature, and/or engaged in the preliminary assessment of any investigation, the Committee may exclude Board members who are not members of the Committee from attending the relevant portion of the *Executive Session* of the Committee meeting.

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
AUDIT COMMITTEE CHARTER**

January 2021

- I. Audit Committee Purpose, Duties, and Responsibilities.
- A. The Audit Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) shall provide assistance to the Board of Directors (Board) in fulfilling the Board's oversight responsibilities relating to corporate accounting, financial reporting practices, internal control over operations (internal controls), Universal Service Fund program integrity, and all aspects of corporate compliance with applicable law.
- B. The Committee's primary duties and responsibilities shall be as follows:
1. Oversee management's efforts to maintain the reliability and integrity of USAC's accounting policies and financial reporting practices.
 2. Oversee management's efforts to establish, maintain, and review processes that assure that an adequate system of internal control is functioning within USAC through the execution of operational, Universal Service Fund Beneficiary and Contributor audits, and the required annual financial statement audit and agreed upon procedures review.
 3. Oversee management's efforts to establish, maintain, and review processes that assure compliance by USAC with all applicable laws.
 4. Develop and oversee a Strategic Audit Plan to verify USAC's financial and operational integrity.
 5. Provide an avenue of communication between USAC's independent financial statement auditors, USAC management (including but not limited to the Chief Executive Officer, the Vice President of Finance and Chief Financial Officer, the Vice President and General Counsel, and the Vice President of each USAC programmatic division), the Vice President of Audit and Assurance, and the Board.
 6. Provide insight and recommendations to establish cost effective Universal Service Fund strategic audit plans that include a focus on high risk areas as identified through audit results and data analytics. Also, assist USAC by providing solutions to mitigate common audit findings and suggestions to build a more collaborative audit experience for Universal Service Fund participants.

II. Audit Committee Composition, Appointment, and Meetings.

A. Composition

1. The Committee shall consist of five Board members:
 - a. At least one representative from each of the three programmatic committees of the Board (the High Cost & Low Income Committee, the Rural Health Care Committee, and the Schools & Libraries Committee). The Chairperson of the Audit Committee will serve as a member of the Executive Committee.
 - b. Two at-large Board members.
 - c. At least one Committee member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.
2. Each member of the Committee shall meet each of the following independence requirements:
 - a. Is not and has not been employed in an executive capacity by USAC for at least five years prior to appointment to the Committee.
 - b. Is not an advisor or consultant to USAC, and does not have a personal services contract or other business relationship with USAC.
 - c. 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 USAC management.

B. Appointment

1. The members of the Committee shall be appointed annually by the Board. Each member shall hold office until he/she resigns, is removed or until a successor is appointed by the Board.
2. The Board shall appoint one of the members of the Committee as Chair and another as Vice Chair.

C. Meetings

1. The Committee shall meet at least quarterly and at such other times as the Committee deems necessary.
2. The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of Audit and Assurance, and representatives of the independent financial auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

3. The Committee may direct any member of the Board, officer, or employee of USAC or advisor to USAC, including outside counsel or independent auditors, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall advise the Board of all such special meetings either prior to the meeting or promptly thereafter.

III. Responsibilities and Duties

A. Review of Documents, Reports, and Assessments

1. Review and reassess, at least annually, the adequacy of the Committee Charter and make recommendations to the Board, as deemed necessary.
2. Review, in conjunction with management and representatives of the independent auditing firm retained by USAC, the annual financial statements and the audit reports included with those statements and the annual agreed upon procedures review report.
 - a. Discuss with management and the independent auditors significant issues regarding accounting principles, practices, and judgments.
 - b. Discuss any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
 - c. Discuss any significant exceptions in the agreed upon procedures review report.
3. Annually develop and approve a Strategic Audit Plan in consultation with the Vice President of Audit and Assurance. In addition to projects outlined in the Strategic Audit Plan, the Committee may from time to time request additional specific operational and/or financial audits.
4. Review USAC financial, operational and compliance audit reports prepared by the independent auditors or the Audit and Assurance Division and management's response thereto.
5. Review, at least annually, a summary report of common audit findings concerning Universal Service Fund beneficiary and contributor audits performed under the Universal Service Fund Beneficiary and Contributor Audit Program.
 - a. Discuss audit results to highlight areas of high risk for consideration in developing future Universal Service Fund audit plans; identify FCC rules that may require revision to improve compliance among beneficiaries and contributors; and propose suggestions for improving audit efficiency among beneficiaries and contributors.

- b. Provide insight to the Audit and Assurance Division by providing suggested approaches to avoid common audit challenges and solutions to build a more collaborative audit experience for Universal Service Fund participants.
 - 6. Review with management, the independent or external auditors, and the Vice President of Audit and Assurance any significant findings of the reports, management's response thereto, and any significant difficulties encountered during the course of the review or audit, including any restrictions on the objectives or scope of work or access to required information.
- B. Oversight of Independent Auditing Firm(s) Retained by USAC for the Annual Financial and Agreed-Upon Procedures Review
 - 1. Initially select, periodically evaluate (at least annually), and replace as necessary the independent auditing firm(s) retained by USAC for the Annual Financial and Agree-Upon Procedures review, subject to the requirement to obtain the approval of the Board for expenditures in excess of the amount set forth in Section III.H.4. of this Audit Committee Charter, *provided*, however, that nothing herein shall affect the authority of the programmatic committees of the Board to select, evaluate, and replace independent auditing firms with respect to the audits of beneficiaries and contributors of the universal service support mechanisms when deemed necessary by the Committee or the Vice President of Audit and Assurance.
 - 2. Oversee the independence of the independent auditing firm(s) retained by USAC by reviewing and discussing with each auditor a formal written statement concerning their independence and the nature of the relationship, if any, between the auditor and the USAC.
 - 3. Approve any significant non-audit related services to be provided by an independent auditing firm retained by USAC.
- C. Review and Oversight of USAC's Financial Reporting Process, Financial Statement Audit
 - 1. Review the integrity of USAC's financial reporting process, at least annually, in consultation with: (i) the independent auditing firm(s) retained by USAC, (ii) the Vice President of Finance and Chief Financial Officer, and (iii) the Chief Executive Officer.
 - 2. Review significant changes to USAC's auditing and accounting principles and practices as suggested by an independent auditing firm retained by USAC, the Vice President of Finance and Chief Financial Officer, or the Vice President of Audit and Assurance.
 - 3. Require and timely review reports from the independent auditing firm(s) retained by USAC relating to the following:

- a. All significant accounting policies and practices to be used.
 - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditing firm.
 - c. Other written communications between the independent auditors and management, such as any management letter or schedule of adjusted differences.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of the USAC financial statements, and management's response thereto.
- D. Oversight of the Operational Reporting Process, Agreed-Upon Procedures Review
- 1. In consultation with the independent auditing firm(s) retained by USAC and the Vice President of Audit and Assurance, review the integrity of internal controls and operating procedures and any exceptions identified in the agreed-upon procedures reviews.
 - 2. Review changes to USAC's internal controls or operating procedures and practices for consistency with suggestions of an independent auditing firm retained by USAC, management, or the Vice President of Audit and Assurance.
 - 3. Ensure and oversee timely reports from the independent auditing firm(s) retained by USAC to the Audit Committee.
 - 4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of USAC's agreed upon procedures report and management's response thereto.
- E. Oversight of Audit and Assurance Division
- 1. Review and approve the Audit and Assurance Division Charter, organizational structure, budget, activities, and significant changes to the Strategic Audit Plan, as needed.
 - 2. Review and approve the appointment, replacement, reassignment or material changes in the role and/or responsibility of the Vice President of Audit and Assurance Division.

3. Review the effectiveness of the internal audit activities, including compliance with Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States (as amended) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
4. Review reports of whistleblower complaints received by the Vice President of Audit and Assurance. Such reports shall be prepared jointly by the Vice President of Audit and Assurance and USAC's Office of General Counsel.

F. Assessment of Internal Controls, Annual Report on Internal Controls

1. Review with management, the independent auditors, the Vice President of Audit and Assurance and the USAC Board of Directors, the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimize such risks and exposures to the Company.
2. Review with management, the independent auditors, and the Vice President of Audit and Assurance the adequacy of the Company's system of internal controls as noted in the Annual Report on Internal Controls as issued by the independent auditing firm.
3. Establish and maintain procedures for the following activities:
 - a. The receipt, retention, and treatment of complaints received by USAC regarding accounting, internal controls, operating procedures, or auditing matters.
 - b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

G. Compliance With Applicable Law

1. In consultation with the Vice President and General Counsel, review at least annually any legal matters that could have a significant effect on the USAC's operations, financial statements, and reports received from regulators.
2. In consultation with the Vice President and General Counsel, review the processes established to assure compliance by USAC with all applicable laws.
3. Review the results of any investigations concerning waste, fraud, abuse, and/or accounting irregularities and make recommendations for remedial action, if appropriate.

H. Other Responsibilities of the Audit Committee

1. Periodically report to the Board through the Committee Chair or pursuant to other means acceptable to the Board.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Perform any other activities consistent with the Committee Charter, USAC's By-laws, and applicable laws, as the Committee or the Board deems appropriate.
4. When deemed appropriate by the Committee, the Committee will retain outside legal, accounting, or other advisors or consultants to advise and assist the Committee, without needing to seek approval for the retention of such advisors or consultants from the Board, *provided* that the cost is less than \$250,000 in any single calendar year. If the cost for such purpose exceeds \$250,000 in a calendar year, the Committee shall obtain Board approval before engaging or continuing to engage an outside advisor or consultant.

IV. Limitations on Responsibilities and Duties of Audit Committee Members and Audit Committee

- A. The responsibility of the Committee is oversight. USAC management is responsible for the USAC financial statements as well as financial reporting processes, principles, and internal controls. The independent auditing firm(s) retained by USAC is/are responsible for performing audits of the annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and other procedures. The members of the Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting.
- B. Each member of the Committee shall be entitled reasonably to rely on the following:
 1. The integrity of those persons within USAC and of the professionals and experts (such as the independent auditors) who provide professional advice and information to the Committee and/or USAC.
 2. The accuracy of the financial and other information provided to the Committee by such persons, professionals, or experts, absent actual knowledge to the contrary.
- C. Pursuant to USAC By-Laws and FCC rules, the programmatic committees of the Board have the authority for the performance of audits of beneficiaries of the respective support mechanisms and the full Board has the authority for the performance of audits of contributors to the Universal Service Fund. The Audit

Committee shall provide advice and assistance to the programmatic committees in support of the primary role of the programmatic committees with respect to audits of beneficiaries and the Board with respect to audits of contributors.

V. Procedures for Discussing Matters in *Executive Session*

- A. In general, any USAC Board member may attend any meeting of the Committee, including *Executive Sessions*, as an observer, even though the person is not a member of the Audit Committee. The exceptions to this general rule are as follows:
1. Where the Board member is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the conflict of interest, the Committee or any member thereof may raise the issue for consideration. The Board member may self-recuse from the meeting or, upon the vote of the Committee, be excluded from the relevant portion of the *Executive Session* of the Committee meeting.
 2. Where a Board member seeking to attend an *Executive Session* of the Committee is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the actual or the potential conflict of interest, the Committee or any member thereof may raise the issue for consideration. Where disclosure and/or discussion of the specific issue or potential conflict of interest would compromise the integrity of the Universal Service Fund, the Committee shall exclude all persons other than Audit Committee members.
 3. Where the Committee wishes to meet with USAC's independent auditing firm, the Vice President of Audit and Assurance, the Vice President and General Counsel, the Vice President of Finance and Chief Financial Officer, and/or other representatives to discuss or seek assurances concerning any significant difficulties encountered during the course of a review or audit, including any restrictions on the scope of work or access to required information, or matters of a similar nature, and/or engaged in the preliminary assessment of any investigation, the Committee may exclude Board members who are not members of the Committee from attending the relevant portion of the *Executive Session* of the Committee meeting.

**Universal Service Administrative Company
Audit Committee Meeting**

ACTION ITEM

**Recommendation for Election of
Committee Chair and Vice Chair**

Action Requested

The USAC Audit Committee (Committee) is taking action to bring its Chair and Vice Chair nominations for consideration by the full Board of Directors (Board) at the Board meeting to be held on January 25, 2021.

Discussion

The pertinent resolution related to the election of committee chair and vice chair positions was adopted by the Board on January 25, 2000, and reads as follows:

RESOLVED, that the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice chairs shall also be elected annually; (2) the first election for Committee chairs and vice chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions....¹

On January 28, 2020, the Board elected Geoff Feiss as Chair and Beth Choroser as Vice Chair of the Audit Committee.

At their January 25, 2021 quarterly meetings, each committee of the Board (including the Audit Committee and each of the programmatic committees) will nominate Board members to serve as chair and vice chair of their respective committees. Those recommendations will be submitted to the Board at the Board meeting to be held on January 25, 2021.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

¹ USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), *available at* <https://www.usac.org/about/leadership/board-minutes/>.

RESOLVED, that the USAC Audit Committee recommends that the USAC Board of Directors elect _____ as Chair and _____ 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).



Audit Committee Meeting

Information on Fiscal Year 2020 (FY2020)
FCC Agency Financial Report / USF Audit
January 25, 2021



Universal Service
Administrative Co.

Available for Public Use

FY2020 FCC Agency Financial Report (AFR): USF Audit Summary

Overview

- Audit conducted by Kearney & Company on behalf of the FCC OIG
- Auditors concluded that the FCC's financial statements (which include USF balances) were presented fairly, in all material respects, for the fiscal year ending September 30, 2020

Internal Control Findings

- FY2019 Significant Deficiency related to USF Budgetary Accounting was remediated and removed in FY2020
- See FY2020 FCC AFR at: <https://docs.fcc.gov/public/attachments/DA-20-1354A1.pdf>



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Audit & Assurance Business Update

Audit Committee Meeting

January 25, 2021



**Universal Service
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Available For Public Use

Agenda

Audit and Assurance

Topic	Description	Purpose	Presenter	Length
October 2020 Audit Committee Recap	Updates from previous Audit Committee meeting	Informational	Teleshia	2 min
2020 Accomplishments	Significant quantitative and qualitative accomplishments	Informational	Teleshia	5 min
Operational Results	Key outcomes from BCAP audits and PQA assessments	Informational	Teleshia	10 min
2021 Outlook	Upcoming key milestones	Informational	Teleshia	3 min
Appendix	Glossary	Informational	-	-

October 2020 Audit Committee Recap

Updates from the previous Audit Committee meeting

Activity	Status
PQA	USAC prepared a high level summary of the causes for the improper payments resulting from PQA. See page 11.
National Supply Chain	USAC received FCC approval to post information about the National Supply Chain audits to the USAC website to help beneficiaries better understand the process and what types of documentation may be needed for an audit. See https://www.usac.org/about/reports-orders/supply-chain/

2020 Accomplishments

Beneficiary and Contributor Audit Program (BCAP)

- Completed 58 audits (6 CR, 14 HC, 38 E-rate).
- Identified \$4.4M in recovery of funds.

Payment Quality Assurance (PQA)

- Completed 1,205 assessments (180 HC, 250 LI, 400 RH, 375 E-rate).
- Identified \$240.7M of improper payments and \$6.4M in recovery of funds.

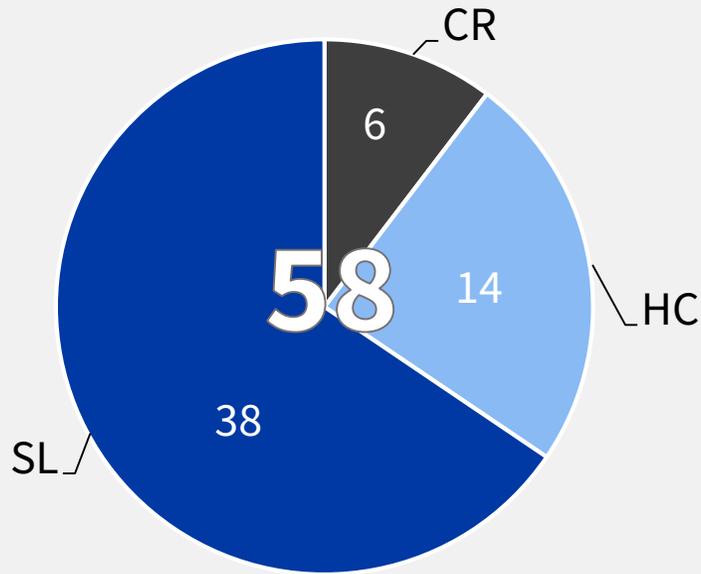
Other Activities

- Coordinated and deployed two application upgrades (Structured Query Language (SQL) databases).
- Provided oversight, executed user-acceptance testing and deployed the BCAP SharePoint upgrade.

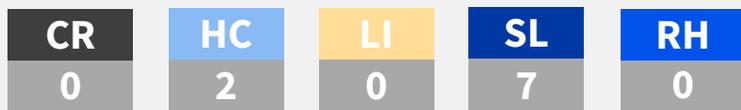
2020 Operational Results

October 1, 2019 – September 30, 2020

AUDITS RELEASED



NEW/NOVEL FINDINGS

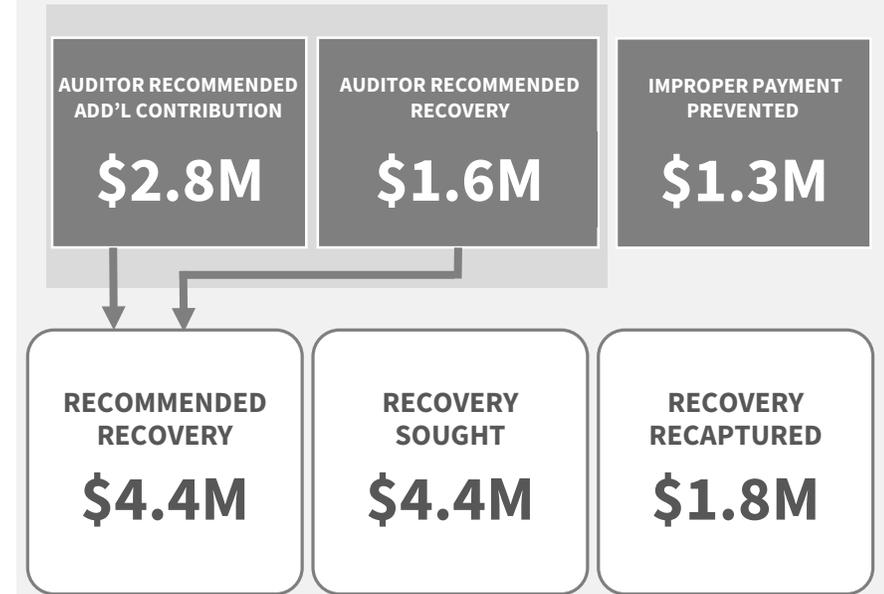


AUDITS REFERRED TO FCC: 3

AUDITOR RECOMMENDED RECOVERY vs DISBURSEMENT AMOUNT (\$ MIL)



FISCAL YEAR FINANCIAL RESULTS



PQA IMPROPER PAYMENTS

Program	Cases	IPERIA \$
HC	180	\$29,987
LI	250	\$19,735
SL	375	\$3,228,869
RH	400	\$3,127,945
Total	1,205	\$6,406,536

Operational Results – Notable Findings

October 1, 2019 – September 30, 2020

High Cost

- Funds not used for High Cost purposes
 - Beneficiary used High Cost support for unallowable activities that are not permitted by FCC Rules.
- Improper calculation of exogenous costs
 - Beneficiary did not use its data from the correct year and incorrectly reported its exogenous cost.

Operational Results – Notable Findings *(continued)*

October 1, 2019 – September 30, 2020

E-rate

- Children’s Internet Protection Act (CIPA) Violations
 - Consortia lead did not collect FCC Forms 479 for its members.
- Inadequate Competitive Bidding Process
 - Beneficiary considered non-price factors when awarding scores in the Price category during the bid evaluation.

Operational Results – Notable Findings *(continued)*

October 1, 2019 – September 30, 2020

E-rate *(continued)*

- Lack of/Inadequate Documentation
 - Beneficiary did not provide documentation for the audit.
 - The state awarded contracts to service providers but the Beneficiary did not conduct a mini-bid.*
- Service Provider or Beneficiary Over-Invoiced SLP
 - Beneficiary did not receive reimbursement from defunct Service Provider.
 - Defunct Service Provider did not provide services during the funding year and did not reimburse the Beneficiary

*Note: The new/novel finding were identified in two audits that were released at the same time.

Operational Results – Top Findings

October 1, 2019 – September 30, 2020

Contributor Revenue - BCAP

Count	Finding Category
1	Customer Category - End User vs. Reseller
2	Non-Telecommunications and Information Service Revenue(s)
3	Private Line Revenue(s)
4	Universal Service Contributions Recovery Revenues(s)
5	Toll Service Revenues(s)

E-rate - BCAP

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Lack of/Inadequate Documentation
3	Inadequate Competitive Bidding Process
4	CIPA Violations
5	Equipment Not in Use/Not Installed

High Cost - BCAP

Count	Finding Category
1	Lack of/Inadequate Documentation
2	Inaccurate Data
3	Improper Allocation Methodology
4	Not Used for High Cost Purposes
5	Inaccurate/Misclassified Access Line/Loop Counts

Operational Results – Top Findings

October 1, 2019 – September 30, 2020

High Cost - PQA

Count	Finding Category
1	Inaccurate Data

E-rate - PQA

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Recipient of Service Error
3	Lack of/Inadequate Documentation
4	Inadequate Competitive Bidding Process
5	Ineligible Locations

Lifeline – PQA

Count	Finding Category
1	Improper Non-Usage Process
2	Lack of/Inadequate Documentation
3	Ineligible Subscriber
4	Duplicates

Rural Health Care - PQA

Count	Finding Category
1	Service Provider or Beneficiary Over-Invoiced SLP
2	Lack of/Inadequate Documentation
3	Inaccurate or Inadequate Rate Determination

Operational Results – Top Findings PQA

October 1, 2019 – September 30, 2020

Program	Comment
High Cost	The High Cost improper payments results are for the legacy funds. The findings are primarily related to the supporting documentations information provided by the carriers are different from the financial information reported to NECA.
Lifeline	The top finding relates to carriers' inability to demonstrate subscribers' usage of the Lifeline service.
E-rate	The finding primarily relates to service providers' noncompliance with the lowest corresponding price rules including maintenance of the internal procedures by the carriers that ensures application of the lowest corresponding price.
Rural Health Care	The top two findings relate to the lack of or inadequate documentation to support information reported on FCC forms as well as invoice information that does not match the information from the approved application.

2021 Outlook

The primary goal and objective of the Audit and Assurance Division is to preserve the integrity of universal service funds and USAC's corporate resources by conducting independent and objective audits, performing quality assessments and evaluating the efficiency and effectiveness of USAC's operations.

<u>BCAP</u>	
Contributor Revenue	10
High Cost	40
Lifeline	15
Rural Health Care	16
E-rate	<u>40</u>
Total	121

<u>PQA</u>
<ul style="list-style-type: none">• Complete all Fiscal Year 2021 PQA assessments. Estimated to be 1,200 sample size.

<u>Strategic Audit</u>
<ul style="list-style-type: none">• Complete three carryover audits.• Develop 2021 Strategic Audit Plan.• Coordinate AUP engagement.

<u>National Supply Chain</u>
<ul style="list-style-type: none">• Initiate National Supply Chain audits.

<u>Other Activities</u>
<ul style="list-style-type: none">• Manage and deploy the Pentana (audit workpaper tool) upgrade.

BCAP Audits in Process

The combined status of BCAP audits in process:

Audit Status				
Program	Announced	Fieldwork	Reporting	Total
Contributor Revenue	0	5	0	5
High Cost	0	3	19	22
Lifeline	0	3	19	22
Rural Health Care	6	11	26	43
E-rate	0	14	10	24
Total	6	36	74	116

PQA Program

- AAD is planning for FY 2021 assessments. This work will include:
 - Compiling disbursement data
 - Working with an independent statistician to select samples
 - Updating the testing procedures to address any changes to the FCC's Rules and Orders and USAC's processes
 - Coordinating with the programs to communicate the start of PQA

Strategic Audit

- Highlighted 2021 activities:
 - Perform audits in accordance with the Strategic Audit Plan approved by the USAC Audit Committee
 - Serve as a liaison with the external audit firm for the Agreed-Upon Procedures engagement

Roadmap

2020

2021

OCT

NOV

DEC

JAN

FEB

MAR

APR

MAY

JUN

JUL

AUG

SEP

BCAP

Beneficiary and Contributor Audits

2021 Audit Plan Approval

Scorecard [Annual]

Scorecard [Semi-Annual]

2022 Audit Planning

PQA

2020 Assessments

Final IP Reports

FCC AFR Released

Improper Payment Assessments 2021

Sampling Plan Started

Assessments Announced

Sampling Plan Completed

Assessments Completed

Strategic Audit

2021 AUP

FCC Approve Procedures

Planning Commenced

Fieldwork Complete

Report Released

Strategic Audits 2020/2021

2022 Planning

National Supply Chain

RFI Released

Supply Chain Evaluations

Supply Chain Awarded

Announcements

Special Projects

AAD Initiatives

BCAP SharePoint Upgrade Completed

BCAP 2021 Task Orders Released for Bid

Pentana Upgrade High Cost Broadband Awarded

BCAP 2021 Task Orders Awarded

Milestone Legend

-  AAD Operations Activities
-  At risk of not being able to be completed by deadline
-  Past the deadline of completion

Appendix A: Glossary of Terms

Term	Definition
AAD	Audit and Assurance Division. An organization within USAC with the mission to preserve the integrity of universal service funds and USAC's corporate resources by conducting objective audits, performing quality assessments and evaluating the efficiency and effectiveness of USAC's operations.
BCAP	Beneficiary and Contributor Audit Program. The BCAP assesses beneficiary and contributor compliance with the FCC rules and requirements (collectively, FCC Rules).
HC	High Cost. Audits of High Cost Program participants.
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.
LCP	Lowest Corresponding Price. Lowest Corresponding Price is defined as the lowest price that a service provider charges to nonresidential customers who are similarly situated to a particular applicant (school, library, or consortium) for similar services.
LI	Lifeline. Audits of Lifeline Program participants.
NECA	National Exchange Carrier Association. NECA is the organization that, among other things, collects and validates carriers' cost and revenue data.
PQA	Payment Quality Assurance. PQA assess the accuracy of Universal Service Fund (USF) disbursements and determines whether improper payments exist, and assists the FCC in meeting its reporting obligations subject to IPIERA.
RH	Rural Health Care. Audits of Rural Health Care Program participants.
SL	Schools and Libraries, i.e. the legacy name of the E-rate Program. Audits of E-rate Program participants.



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