



Audit Committee

Briefing Book

July 26, 2021

8:30 - 10:00 a.m. Eastern Time

Available for Public Use

Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, DC, 20005

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

<p>Monday, July 26, 2021 8:30 a.m. – 10:00 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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OPEN SESSION		<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 April 26 and April 27, 2021 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> C. Annual Review of USAC’s System of Internal Controls (<i>See aAC04cf</i>) D. Annual Review of USAC’s Financial Reporting Process (<i>See aAC05cf</i>) 	5
Teleshia	<p>i1. Audit and Assurance Business Update:</p> <ul style="list-style-type: none"> • Q2 2021 Accomplishments • Plans for Third Quarter • Audits in Progress/Aging • Roadmap 	20

EXECUTIVE SESSION Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Charlie /PwC	a2. Acceptance of USAC’s 2020 Annual Financial Statement Audit and Agreed-Upon Procedures Review	20
Teleshia	a3. Action on One USAC Audit and Assurance Division Strategic Audit Report	10
Teleshia	a4. Annual Review of USAC’s System of Internal Controls	-
Teleshia	a5. Annual Review of USAC’s Financial Reporting Process	-
Teleshia	i2. Audit Committee Executive Session with USAC’s Vice President of Audit and Assurance	10

Next Scheduled USAC Audit Committee Meeting

<p>Monday, October 25, 2021 8:30 a.m. – 9:50 a.m. Eastern Time USAC Offices, Washington, D.C.</p>
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**Universal Service Administrative Company
Audit Committee Meeting**

ACTION ITEM

Consent Items

Action Requested

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

Discussion

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

- A. Committee meeting minutes of April 26 and April 27, 2021 (*see Attachments A-1 and A-2*).

- B. Approval of moving all *Executive Session* item into *Executive Session*:
 - (1) **a2** – Acceptance of USAC’s 2020 Annual Financial Statement Audit and Agreed-Upon Procedures Review. 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) **a3** – Action on One USAC Audit and Assurance Division Strategic Audit 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. In addition, this item may include discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
 - (1) **a4** – 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, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a5** – 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, or

confidential company data that would constitute a discussion of internal rules and procedures.

- (3) **i2** – Audit Committee 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 Review of USAC’s Systems 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 aAC04cf*; if discussion is needed, it will be conducted in *Executive Session*).

D. 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 aAC05cf*; 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 RESOLUTION:

RESOLVED, that the Audit Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of April 26 and April 27, 2021; (2) discussion in *Executive Session* of the items noted above; (3) the review of USAC’s system of internal controls; and (4) 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, April 26, 2021

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore, the *Open Session* portion of the quarterly meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Monday, April 26, 2021. Ms. Beth Choroser, Committee Vice Chair, called the meeting to order at 10:01 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth – Vice Chair	Gillan, Joe
Fontana, Brent	Schell, Julie Tritt

Members of the Committee not present:

Feiss, Geoff – Chair

Other Board members and officers of the corporation present:

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
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resources Program and Acting Vice President of Shared Services
Gerst, Matthew – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Jacobs, Ellis – Member of the Board
Mason, Ken – Member of the Board
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant Secretary
Polk, Stephanie – Member of the Board
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Sekar, Radha – Chief Executive Officer

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.

Skrivan, Michael – Member of the Board
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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Alfred, Kraynal	USAC
Ayer, Catriona	USAC
Crawford, Katherine	USAC
DiVo, Victor	USAC
Glisson, Connor	USAC
Goode, Vernell	USAC
Hilton, David	KPMG
James, Christine	USAC
Kahn, Benjamin	Broadband Breakfast
Kriete, Debra	State E-Rate Coordinators' Alliance
Krueger, Katie	KPMG
Lee, James	USAC
LeNard, David	E-Rate Elite Services, Inc.
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Pace, Regina	USAC
Rovetto, Ed	USAC
Schultz, Cynthia	Broadband Law Group, PLLC
Sherwood, Nicole	USAC
Spead, Laura	USAC
Tiwari, Tanya	USAC

OPEN SESSION

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

- a1. Consent Items.** Ms. Choroser presented this item to the Committee.
- A.** Approval of Committee meeting minutes of January 25 and January 26, 2021.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a2** – Approval of the 2021 Strategic Audit Plan. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls or confidential*

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company data that would constitute a discussion of internal rules and procedures.

C. USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

In accordance with Section III.G of the Committee's Charter, the Committee, in consultation with USAC's General Counsel and Vice President of Audit and Assurance, is required to review the processes established to assure compliance by USAC with all applicable laws.

Attachment B documents the assessment and briefly discusses the controls in place to assure compliance. Compliance processes for administration of the Universal Service Fund and the Universal Service Support Mechanisms by each programmatic division and USAC's financial operations are based on Section 254 of the Communications Act of 1934, as amended, Part 54 of the Commission's rules, Commission orders, and FCC staff directives. Additionally, through the combined efforts of USAC's Office of General Counsel, Audit and Assurance Division, and Human Resources division, ongoing compliance with laws and regulations is monitored and assessed.

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

RESOLVED, that the Audit Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 25 and January 26, 2021; (2) discussion in *Executive Session* of the item noted above; and (3) USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

- ii. **Audit and Assurance Business Update.** Ms. Delmar presented an update on the Audit and Assurance Division (AAD) administration accomplishments from first quarter 2021; plans for second quarter 2021; operational results and key outcomes from work performed in the Beneficiary and Contributor Audit Program (BCAP) as well as the Payment Quality Assurance (PQA) Program; and Post Audit Assessment Surveys for the BCAP, PQA and Strategic Audits conducted from October 2019 through September 2020.

At 10:31 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned until April 27, 2021 at approximately 10:00 a.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Tuesday, April 27, 2021

(DRAFT) MINUTES¹

Due to the COVID-19 pandemic, USAC continued mandatory telework; therefore, the *Executive Session* portion of the quarterly meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was conducted by web conference on Tuesday, April 27, 2021. The Committee meeting continued from the April 26, 2021 *Open Session* portion of the meeting. Ms. Beth Choroser, Committee Vice Chair, called the meeting to order at 10:01 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth – Vice Chair	Gillan, Joe
Fontana, Brent	Schell, Julie Tritt

Members of the Committee not present:

Feiss, Geoff – Chair

Other Board members and officers of the corporation present:

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
Domenech, Dr. Dan – Member of the Board
Freeman, Sarah – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Enterprise Resource Program and Acting Vice
President of Shared Services
Gerst, Matthew – Member of the Board
Gregory, Amber – Member of the Board
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
Jacobs, Ellis – Member of the Board
Mason, Ken – Member of the Board
Morning, Kimberly – Acting Vice President and General Counsel, and Assistant
Secretary

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.

Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Sekar, Radha – Chief Executive Officer
Skrivan, Michael – Member of the Board
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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
DiVo, Victor	USAC
Glisson, Connor	USAC
Goode, Vernell	USAC
James, Christine	USAC
Lee, James	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Pace, Gina	USAC
Sherwood, Nicole	USAC
Tiwari, Tanya	USAC

OPEN SESSION

At 10:01 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, April 26, 2021. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

- a2. **Approval of the 2021 Strategic Audit Plan.** Ms. Delmar presented the proposed 2021 Strategic Audit Plan including the audit area, audit objectives, a high-level summary of the testing to be performed, and the estimated timing for the audits.

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

RESOLVED, that the USAC Audit Committee approves the 2021 Strategic Audit Plan.

OPEN SESSION

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At 10:15 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Ms. Choroser reported that, in *Executive Session*, the Committee took action on item a2.

On a motion duly made and seconded, the Committee adjourned at 10:16 a.m. Eastern Time.

/s/ Kimberly Morning
Assistant Secretary



Audit Committee

Audit and Assurance Business Update

Open Session

July 26, 2021



Universal Service
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Agenda

- Q2 2021 Accomplishments
- Plans for Third Quarter
- Audit in Progress/Aging
- Roadmap

Q2 2021 Accomplishments

- Beneficiary and Contributor Audit Program (BCAP)
 - Announced 34 audits (5 Contributor Revenue (CR), 3 High Cost (HC), 9 Lifeline (LI), 10 E-Rate, 7 Rural Health Care (RHC)).
 - Released 13 audits (2 CR, 3 HC, 2 LI, 4 E-Rate, 2 RHC).
 - Completed RHC audit procedures training.
 - Assisted in outreach efforts related to LI common audit findings and audit preparedness.
 - Conducted HC, LI, and RHC trainings for the external auditors.
- Payment Quality Assurance (PQA)
 - Completed 830 assessments (86% completion) (140 LI, 357 RHC, 333 E-Rate).

Plans for Third Quarter

- BCAP
 - Announce 81 audits and complete 29 audits.
 - Conduct HC audit procedures training.
 - Compile and analyze data in preparation for the Fiscal Year 2022 BCAP plan.
- PQA
 - Complete 965 assessments (100% completion) (240 LI, 375 RHC, 350 E-Rate).
- Other Activities
 - Provide oversight, execute user-acceptance testing and deploy the Audit and Assurance Division (AAD) workpaper software upgrade.

BCAP Audits in Process

The combined status of BCAP audits in process as of July 1, 2021:

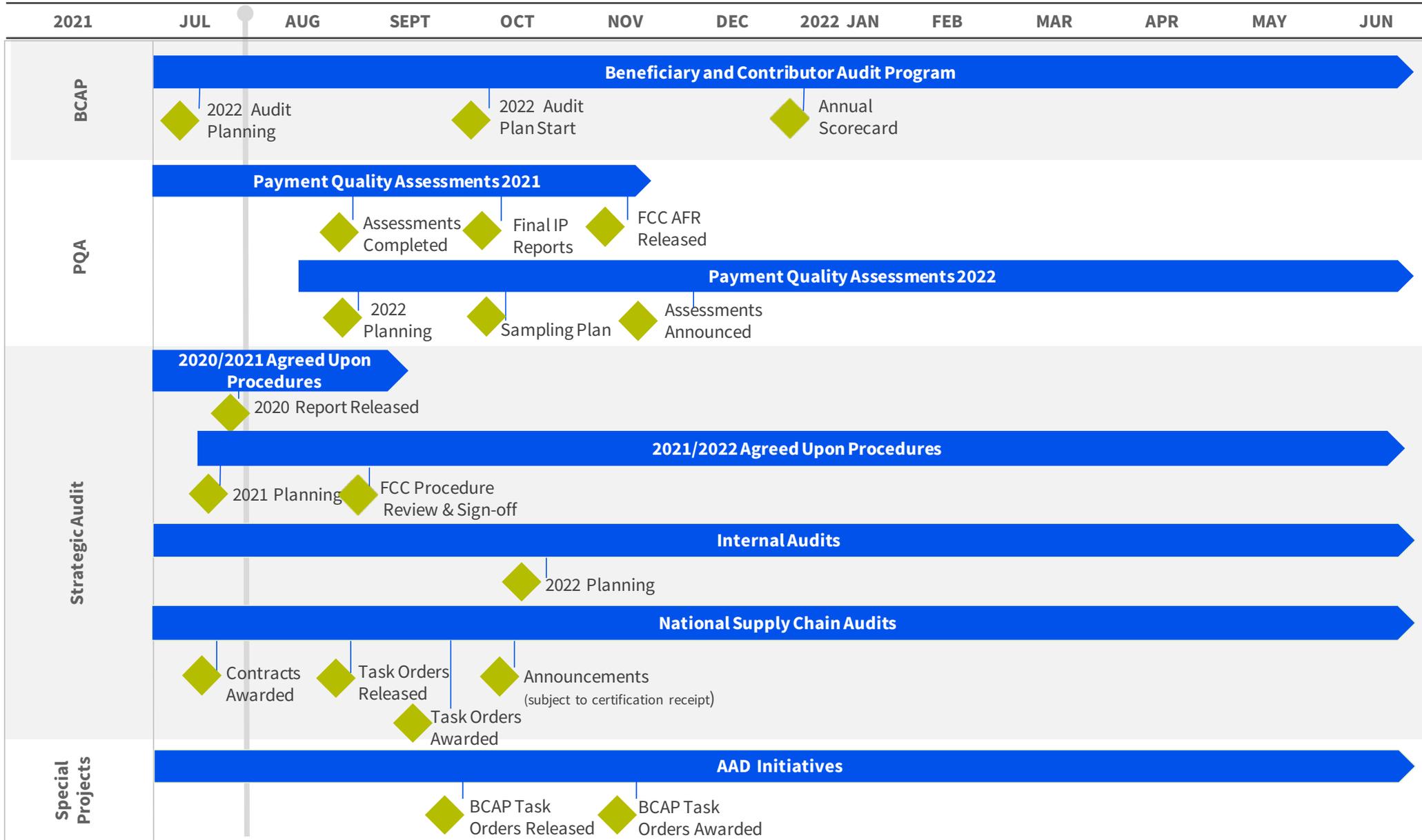
Program	Announced	Fieldwork	Reporting	Total
Contributor Revenue	3	7	1	11
High Cost	3	2	5	10
Lifeline	3	4	20	27
E-Rate	2	21	26	49
Rural Health Care	2	11	14	27
Total	13	45	66	124

BCAP Aging Report

The combined aging report of BCAP audits in process as of July 1, 2021:

Program	>6 months	>12 months	>18 months	Total
Contributor Revenue	3	0	0	3
High Cost	0	0	7	7
Lifeline	1	0	19	20
E-Rate	19	1	16	36
Rural Health Care	8	7	7	22
Total #	31	8	49	88
Total %	35%	9%	56%	100%
Reporting Phase	13	5	47	66

Roadmap



Milestone Legend

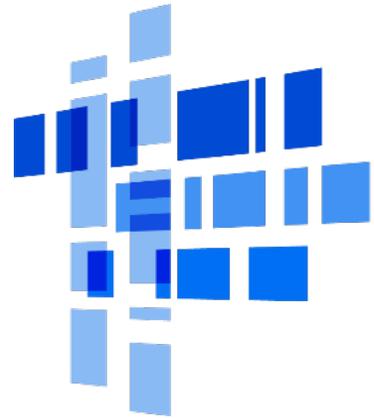
- At Risk
- On Track
- Completed

Appendix A: Glossary of Terms

Term	Definition
AFR	Agency Financial Report
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: BCAP assesses beneficiary and contributor compliance with the Federal Communications Commission (FCC) rules, orders, and program requirements (FCC Rules).
CR	Contributor Revenue: Audits of Contributor Revenue filers.
E-Rate	E-Rate: Audits of E-Rate program participants.
HC	High Cost: Audits of High Cost program participants.
IP	Improper Payment

Appendix A: Glossary of Terms (Continued)

Term	Definition
LI	Lifeline: Audits of Lifeline program participants.
PQA	Payment Quality Assurance: PQA assesses the accuracy of USF disbursements and determines whether improper payments exist, and assists the FCC in meeting its reporting obligations subject to Program Integrity Information Act.
RHC	Rural Health Care: Audits of Rural Health Care program participants.
SA	Strategic Audits: Strategic Audits assess USAC's compliance with FCC Rules, policies and procedures, and the effectiveness and efficiency of internal operations.
USF	Universal Service Fund: The four universal service programs.



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