



# Audit Committee

## Briefing Book

Monday, July 25, 2022

10:00 a.m. - 11:55 a.m. Eastern Time

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USAC Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

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

<p><b>Monday, July 25, 2022</b>  <b>10:00 a.m. – 11:55 a.m. Eastern Time</b>  <b>USAC Offices</b>  <b>700 12th Street, N.W., Suite 900</b>  <b>Washington, D.C. 20005</b></p>
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<b>OPEN SESSION</b>		<i>Estimated Duration in Minutes</i>
Chair	<p><b>a1.</b> Consent Items (each item is available for discussion upon request):</p> <ul style="list-style-type: none"> <li><b>A.</b> Approval of Audit Committee Meeting Minutes of April 25, 2022</li> <li><b>B.</b> Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i></li> <li><b>C.</b> Annual Review of USAC’s System of Internal Controls (See aAC03cf)</li> <li><b>D.</b> Annual Review of USAC’s Financial Reporting Process (See aAC04cf)</li> </ul>	5
Teleshia	<p><b>i1.</b> Audit and Assurance Business Update</p> <ul style="list-style-type: none"> <li>• Q2 2022 Accomplishments</li> <li>• Plans for Q3 2022</li> <li>• Audit Aging Analysis</li> <li>• Roadmap</li> </ul>	40

<b>EXECUTIVE SESSION</b> <b>Confidential – Executive Session Recommended</b>		<i>Estimated Duration in Minutes</i>
Teleshia	<p><b>i2.</b> Audit and Assurance Division Business Update (<i>Continued</i>)</p> <ul style="list-style-type: none"> <li>• FY2021 Lifeline Unknown Payment Reclassifications Results</li> <li>• PQA FY2021 Lifeline Unknown Payment Reclassifications</li> </ul>	10
Teleshia	<b>a2.</b> Action on One USAC Audit and Assurance Division Strategic Audit Report	10
Teleshia	<b>a3.</b> Annual Review of USAC’s System of Internal Controls	-
Teleshia	<b>a4.</b> Annual Review of USAC’s Financial Reporting Process	-
Michelle / PwC (Tom Leonard – Partner)	<b>a5.</b> Acceptance of USAC’s 2021 Annual Financial Statement Audit and Agreed-Upon Procedures Review (Same as iBOD05cf)	20

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PwC	<b>i3.</b> Audit Committee Executive Session with USAC's Independent Audit Firm	20
Teleshia	<b>i4.</b> Audit Committee Executive Session with USAC's Vice President of Audit and Assurance	10

**Next Scheduled USAC Audit Committee Meeting**

<p><b>Monday, October 24, 2022</b>  <b>USAC Offices, Washington, D.C.</b></p>
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**Universal Service Administrative Company  
Audit Committee Meeting**

<b>ACTION ITEM</b>
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**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 25, 2022 (*see Attachments A-1*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
  - (1) **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, and may also include discussion of *investigatory records or pending or contemplated enforcement action* against participants in the universal service support mechanisms.
  - (2) **a2** – 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.
  - (3) **a3** – 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.
  - (4) **a4** – Annual Review of USAC’s Financial Reporting Process. USAC management recommends that this matter be conducted in *Executive*

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*Session* because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.

- (5) **a5** – Acceptance of USAC’s 2021 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.
- (6) **i3** – Audit Committee Executive Session with USAC’s Independent Audit Firm. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.
- (7) **i4** – 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 aAC03cf*; 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 aAC04cf*; 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 25, 2022; (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 25, 2022**

**(DRAFT) MINUTES<sup>1</sup>**

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, April 25, 2022. A virtual meeting platform was available to the general public for *Open Session* to accommodate the need for increased physical distancing on site due to the COVID-19 pandemic. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 10:03 a.m. Eastern Time, with a quorum of four of five Committee members present:

Choroser, Beth – Vice Chair	Gillan, Joe
Feiss, Geoff – Chair	Schell, Julie Tritt

Mr. Brent Fontana joined the meeting at 10:14 a.m. Eastern Time. He did not participate in the discussion of or vote on item a1.

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Chief Administrative Officer – *by telephone*  
Butler, Stephen – Vice President of Shared Services – *by telephone*  
Buzacott, Alan – Member of the Board – *by telephone*  
Davis, Craig – Vice President of Schools and Libraries  
Delmar, Teleshia – Vice President of Audit and Assurance  
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and  
Assistant Treasurer – *by telephone*  
Gregory, Amber – Member of the Board – *by telephone*  
Hughet, Pamela – Vice President of Lifeline – *by telephone*  
Hutchinson, Kyle – Vice President of IT and Chief Information Officer – *by telephone*  
Mason, Ken – Member of the Board  
Sekar, Radha – Chief Executive Officer  
Skriwan, Michael – Member of the Board  
Sweeney, Mark – Vice President of Rural Health Care – *by telephone*  
Waller, Jeff – Member of the Board – *by telephone*  
Wade, Dr. Joan – Member of the Board  
Wein, Olivia – Member of the Board

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<sup>1</sup> 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.

Williams, Erin – Acting Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Augustino, Steven – <i>by telephone</i>	Nelson Mullins
Glisson, Connor – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Kriete, Debra – <i>by telephone</i>	State E-Rate Coordinators’ Alliance
Morning, Kimberly – <i>by telephone</i>	Morgan Lewis
Nuzzo, Patsy	USAC
Pace, Regina – <i>by telephone</i>	USAC
Phillippi, Megan	USAC
Sadirkhanova, Sabina – <i>by telephone</i>	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Tiwari, Tanya – <i>by telephone</i>	Morgan Lewis
Wilson Jr., Jerusa Carl – <i>by telephone</i>	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.** Approval of Committee meeting minutes of January 24, 2022.

**B.** Approval of moving all *Executive Session* items into *Executive Session*:

(1) **i2** – Audit and Assurance Division Business Update (*Continued*).  
USAC management recommended 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, and may also include discussion of *investigatory records or pending or contemplated enforcement action* against participants in the universal service support mechanisms.

(2) **i3** – Audit Committee *Executive Session* with USAC’s Vice President of Audit and Assurance. USAC management recommended that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

**C.** Review of USAC’s Processes to Assess Compliance with applicable Laws and Regulations.

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

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**RESOLVED**, that the Audit Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 24, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

- i1. Audit and Assurance Business Update.** Ms. Delmar presented PowerPoint slides to the Committee for discussion covering the following topics:
- 1Q2022 Accomplishments
  - Plans for 2Q2022
  - Audit Aging Analysis
  - Roadmap
  - Post Audit Assessment Survey Results

At 10:40 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

#### **EXECUTIVE SESSION**

- i2. Audit and Assurance Business Update (Continued).** Ms. Delmar presented PowerPoint slides to the Committee for discussion covering the following topic:
- High Cost Modernized Audits

At 10:55 a.m. Eastern Time, on a motion duly made and seconded, the Committee continued in Executive Session with only members of the Board and Ms. Delmar present.

- i3. Audit Committee Executive Session with USAC's Vice President of Audit and Assurance.** Per the guidelines in the approved Audit Committee Charter, Ms. Delmar met with members of Audit Committee and Board of Directors in a confidential *Executive Session*.

#### **OPEN SESSION**

At 11:10 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that, in *Executive Session*, the Committee discussed items i2 and i3.

On a motion duly made and seconded, the Committee adjourned at 11:10 a.m. Eastern Time.

/s/ Erin Williams  
Assistant Secretary





# **Audit Committee Meeting**

Audit and Assurance Business Update

*Open Session*

July 25, 2022



Universal Service  
Administrative Co.

# Agenda

- Q2 2022 Accomplishments
- Plans for Q3 2022
- Audit Aging Analysis
- Roadmap

# Q2 2022 Accomplishments

- Beneficiary and Contributor Audit Program (BCAP)
  - Announced 34 audits (5 CR, 14 HC, 9 E-Rate, 6 RHC).
  - Released 13 audits (1 CR, 4 HC, 2 LI, 4 E-Rate, and 2 RHC).
  - Released three task orders for FY2022 BCAP audit services; awarded three contracts.
  - On-boarded and trained external engineer firm to perform on-site testing for the CAF II Model audits (i.e. HiCAP).
    - Audits announced and testing began.
    - In-house telecom engineer serving as liaison to outsourced engineering firm by participating in planning meetings, entrance conferences and status calls.

# Q2 2022 Accomplishments (Continued)

- Payment Quality Assurance (PQA)
  - On-boarded and trained Grant Thornton to assist with High Cost expanded procedures for assets, expenses, and depreciation.
  - Completed and submitted the FY2022 Sampling and Estimation Methodology Plans for E-Rate, High Cost, and Lifeline to the FCC.
- Supply Chain Audit Program (SCAP)
  - Finalized vendor onboarding process for audit firm.
  - Audits announced and testing began.
- Strategic Audit (SA)
  - Announced four audits, two audits in progress.
  - Completed one audit (the report will be presented in executive session).
  - Served as liaison between PwC and USAC key personnel for annual Agreed Upon Procedures (AUP).

# Plans for Q3 2022

- BCAP
  - Announce 60 audits and complete 20 audits.
  - Release 2 task orders for audit services for FY2022 BCAP outsourced audits.
  - Conduct series of training seminars for audit firms selected to perform outsourced audits.
  - In-house telecom engineer will join engineering firms for selected on-site visits.
  - In-house telecom engineer will conduct an internal training for contributor revenue team for the 10% Rule for Private Line Jurisdiction.
- PQA
  - Submit completed exception assessments to the FCC for approval.
  - Commence improper payment reporting process with statistician.

# Plans for Q3 2022 (Continued)

- SCAP
  - Commence testing for the 10 audits.
  - Prepare task order and begin procurement process for an additional 10 audits.
  - Host office hours for selected USF recipients to address any audit related questions.
- SA
  - Complete two audits.
  - Commence testing on two audits.
  - Coordinate AAD Peer Review that will be performed by an external audit firm.
  - Work with external audit firm to start planning activities for 2022 AUP.

# BCAP Audits in Process

The combined status of BCAP audits in process as of July 1, 2022:

Program	Announced	Fieldwork	Reporting	<b>Total</b>
Contributor Revenue	3	10	5	<b>18</b>
High Cost	8	48	12	<b>68</b>
Lifeline	0	16	11	<b>27</b>
E-Rate	3	20	26	<b>49</b>
Rural Health Care	4	16	17	<b>37</b>
<b>Total</b>	<b>18</b>	<b>110</b>	<b>71</b>	<b>199</b>

# BCAP Aging Report

The combined aging report of BCAP audits in process as of July 1, 2022:

Program	> 6 months	> 12 months	> 18 months	Total	Change from 4/1
Contributor Revenue	3	5	0	8	0
High Cost	27	1	4	32	-3
Lifeline	9	7	11	27	-1
E-Rate	12	7	16	35	-5
Rural Health Care	11	1	15	27	-3
<b>Total #</b>	<b>62</b>	<b>21</b>	<b>46</b>	<b>129</b>	<b>-12</b>
<b>Total %</b>	<b>48%</b>	<b>16%</b>	<b>36%</b>	<b>100%</b>	<b>N/A</b>
<b>Reporting Phase</b>	<b>18</b>	<b>12</b>	<b>40</b>	<b>70</b>	<b>8</b>

**\*Note:** For the 40 audits >18 months, 19 are with the FCC and 12 are with USAC for review.



# PQA Assessments in Process

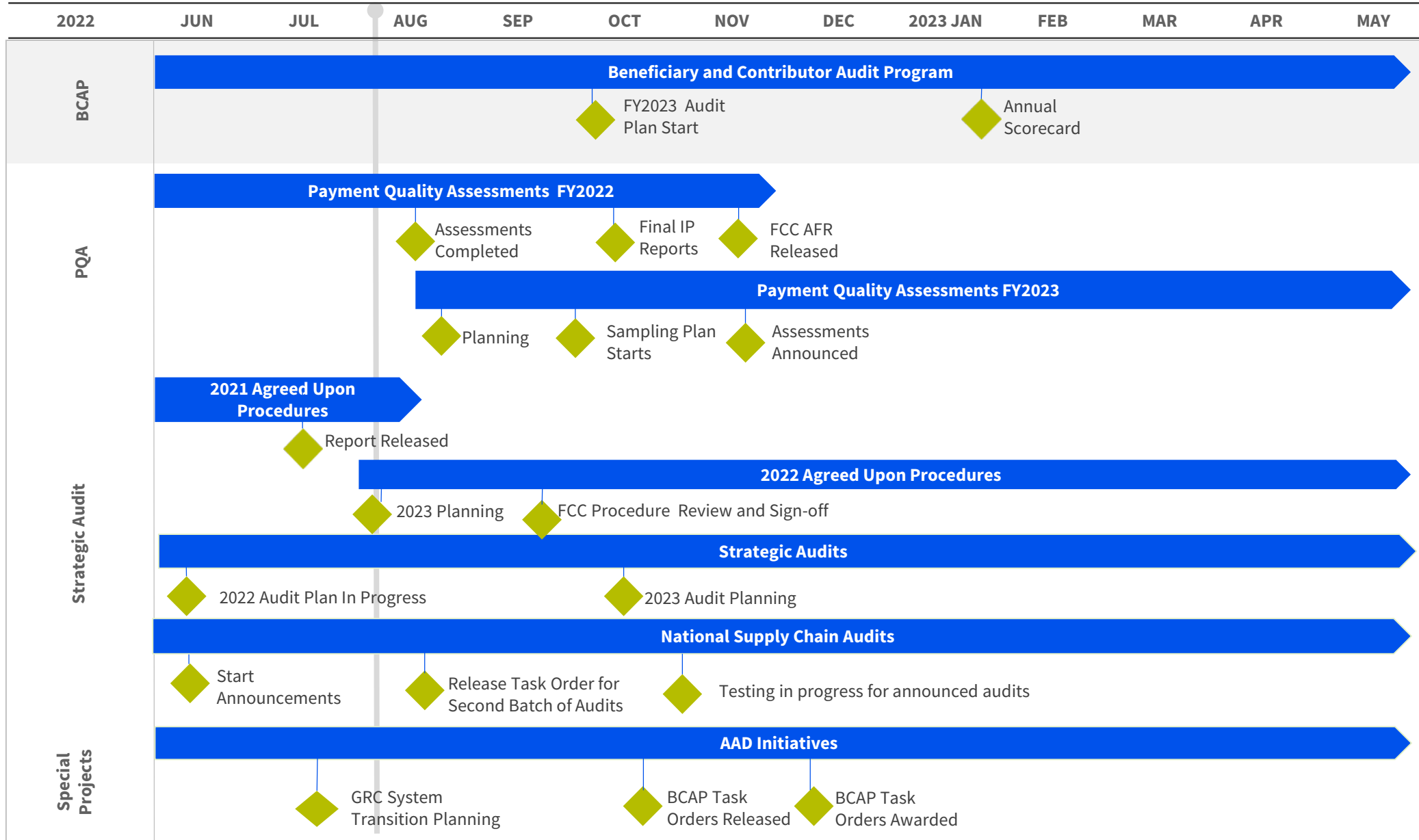
The combined status of PQA assessments in process as of July 1, 2022:

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Program	Announced	Fieldwork	Reporting	<b>Total</b>
High Cost	0	130	0	<b>130</b>
Lifeline	0	130	95	<b>225</b>
E-Rate	0	132	218	<b>350</b>
<b>Total</b>	<b>0</b>	<b>392</b>	<b>313</b>	<b>705</b>

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# Roadmap



**Milestone Legend**

-  At Risk
-  On Track
-  Completed

# 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.
AUP	Agreed Upon Procedures: Annual review of USAC's operations conducted by external audit firm.
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).
BCAPx	Beneficiary and Contributor Audit Program Outsourced Audits: BCAP audits performed by outsourced (outside) audit firms.
CR	Contributor Revenue: Audits of Contributor Revenue filers.
E-Rate	E-Rate: Audits of E-Rate program participants.
GRC	Governance, Risk, and Compliance.

# Appendix A: Glossary of Terms (Continued)

Term	Definition
HC	High Cost: Audits of High Cost program participants.
IP	Improper Payment.
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 Payment 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.
SCAP	Supply Chain Audit Program: SCAP assesses program participant compliance with the Federal Communications Commission (FCC) rules, orders, and program requirements (FCC Rules) related to protecting the communications supply chain.
USF	Universal Service Fund: The four universal service programs.



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