



# Audit Committee Meeting

## Briefing Book

Monday, July 24, 2023

2:10 p.m. - 4:15 p.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><b>Monday, July 24, 2023</b>  <b>2:10 p.m. – 4:15 p.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 20, 2023</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>• 2Q2023 Accomplishments</li> <li>• Plans for 3Q2023</li> <li>• Audit Aging Analysis</li> <li>• Roadmap</li> </ul>	30

<b>EXECUTIVE SESSION</b> <b>Confidential – Executive Session Recommended</b>		<i>Estimated Duration in Minutes</i>
Teleshia Chris Smith	<p><b>i2.</b> Audit and Assurance Division Business Update (<i>Continued</i>)</p> <ul style="list-style-type: none"> <li>• High Cost Improper Payment Results</li> <li>• High Cost Modernization Audits</li> <li>• Lifeline Biennial Audits</li> </ul>	30
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 / Tom Leonard/Logan Bartrug	<b>a5.</b> Acceptance of USAC’s 2022 Annual Financial Statement Audit and Agreed-Upon Procedures Review ( <i>Same as iBOD09cf</i> )	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 30, 2023</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 20, 2023 (*see Attachment 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.
  - (3) **a3** – Annual Review of USAC’s System of Internal Controls. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls or confidential company data* that would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
  - (4) **a4** – 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.

- (5) **a5** – Acceptance of USAC’s 2022 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 20, 2023; (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**  
**Thursday, April 20, 2023**

**(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 Thursday, April 20, 2023. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 10:01 a.m. Eastern Time, with a quorum of all five Committee members present:

Feiss, Geoff – Chair  
Fontana, Brent – *by telephone*  
Gillan, Joe

Polk, Stephanie – Vice Chair – *by telephone*  
Schell, Julie Tritt

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer – *by telephone*  
Butler, Stephen – Vice President of Shared Services  
Buzacott, Alan – Member of the Board  
Chalk, Indra – 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 – *by telephone*  
Gaither, Victor – Vice President of High Cost – *by telephone*  
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and  
Assistant Treasurer  
Gregory, Amber – Member of the Board  
Hutchinson, Kyle – Vice President of IT and Chief Information Officer – *by telephone*  
Mason, Ken – Member of the Board  
O'Brien, Tim – Vice President of Lifeline  
Sekar, Radha – Chief Executive Officer  
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  
Wibberly, Dr. Kathy – Member of the Board – *by telephone*

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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 – Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Bolling, Christopher – <i>by telephone</i>	USAC
Borg, Jeanenne – <i>by telephone</i>	USAC
Campos, Rosy – <i>by telephone</i>	CSM, Inc.
Edmonds, Daisy	USAC
Faunce, Donna – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Kriete, Debra – <i>by telephone</i>	South Dakota State E-rate Coordinator
LeNard, Dave – <i>by telephone</i>	CDW-G
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Phillippi, Megan	USAC
Robinson, Jen – <i>by telephone</i>	USAC
Rones, Julie	USAC
Sadirkhanova, Sabina – <i>by telephone</i>	USAC
Simab, Habib – <i>by telephone</i>	USAC
Sutherland, Beverly – <i>by telephone</i>	EdTechnologyFunds, Inc.
Wilson, Carl	USAC
Xu, Wayne – <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 30, 2023.
  - 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) **a2** – Action on One USAC Audit and Assurance Division Strategic Audit Report. 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.

- (3) **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:

**RESOLVED**, that the Audit Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of January 30, 2023; (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:
- 1Q2023 Accomplishments
  - Plans for 2Q2023
  - Audit Aging Analysis
  - Roadmap

At 10:27 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 topics:
- Three-Year Analysis of Audit Recoveries
  - High Cost Modernized Audit Update
  - Customer Service Audit
- a2. Action on One USAC Audit and Assurance Division Strategic Audit Report.** Ms. Delmar presented the findings of this report and recommended enhancements to existing internal controls. On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Audit Committee, having reviewed the USAC Audit and Assurance Division's strategic audit report of USAC's Lifeline program's manual eligibility determination process, accepts the recommendation of USAC management and hereby deems the report final.

At 11:15 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 the Audit Committee and Board of Directors in a confidential *Executive Session*.

### **OPEN SESSION**

At 11:28 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 and took action on item a2.

On a motion duly made and seconded, the Committee adjourned at 11:28 a.m. Eastern Time.

/s/ Erin Williams  
Assistant Secretary



# **Audit Committee**

Audit and Assurance Business Update

*Open Session*

July 24, 2023



Universal Service  
Administrative Co.

# Agenda

- 2Q2023 Accomplishments
- Plans for 3Q2023
- Audit Aging Analysis
- Roadmap

# 2Q2023 Accomplishments

- Beneficiary and Contributor Audit Program (BCAP)
  - Released 30 audits (2 CR, 13 HC, 4 LI, 6 E-Rate, and 5 RHC).
  - Announced 46 audits (6 CR, 15 HC, 2 LI, 19 E-Rate, and 4 RHC).
  - Continued site visits for CAF II Model and RBE audits (approx. 2,500 site visits).
    - Internal staff joined engineering firms on selected site visits.

# 2Q2023 Accomplishments (Continued)

- Supply Chain Audit Program (SCAP)
  - Completed ten audits of the first task order.
  - Ten new audits of the second task order are in fieldwork.
- Strategic Audit (SA)
  - Completed AUP coordination activities.
  - Completed assurance of expense payment audit (results presented in executive session).

# Plans for 3Q2023

- BCAP
  - Announce 13 audits and complete 30 audits.
- Conduct Lifeline Biennial Audit Program training July 2023.
- PQA
  - Finalize improper payment results for FY2023 E-Rate and Lifeline assessments.
- Continue ACP Integrity Assurance (PIA) testing.

# Plans for 3Q2023 (Continued)

- SA
  - Coordinate planning for 2023 AUP testing in 2024.
  - Complete UX audit for Lifeline.

# BCAP Audits in Process

The status of BCAP audits in process as of July 1, 2023

Program	Announced	Fieldwork	Reporting	<b>Total</b>
Contributor Revenue	5	10	5	<b>20</b>
High Cost	13	29	32	<b>74</b>
Lifeline	0	21	14	<b>35</b>
E-Rate	0	37	60	<b>97</b>
Rural Health Care	0	14	26	<b>40</b>
<b>Total</b>	<b>18</b>	<b>111</b>	<b>137</b>	<b>266</b>

# BCAP Audits Aging Report

The aging report of BCAP audits in process as of July 1, 2023

Program	< 6 months	> 6 months	> 12 months	> 18 months	Total	Change from 04/01/2023
Contributor Revenue	8	1	7	4	20	6
High Cost	32	10	26	6	74	5
Lifeline	8	15	0	12	35	6
E-Rate	34	24	10	29	97	17
Rural Health Care	11	8	11	10	40	6
<b>Total #</b>	93	58	54	61	266	40
<b>Total %</b>	35%	22%	20%	23%	100%	N/A
<b>Reporting Phase</b>	2	39	46	51	138	22

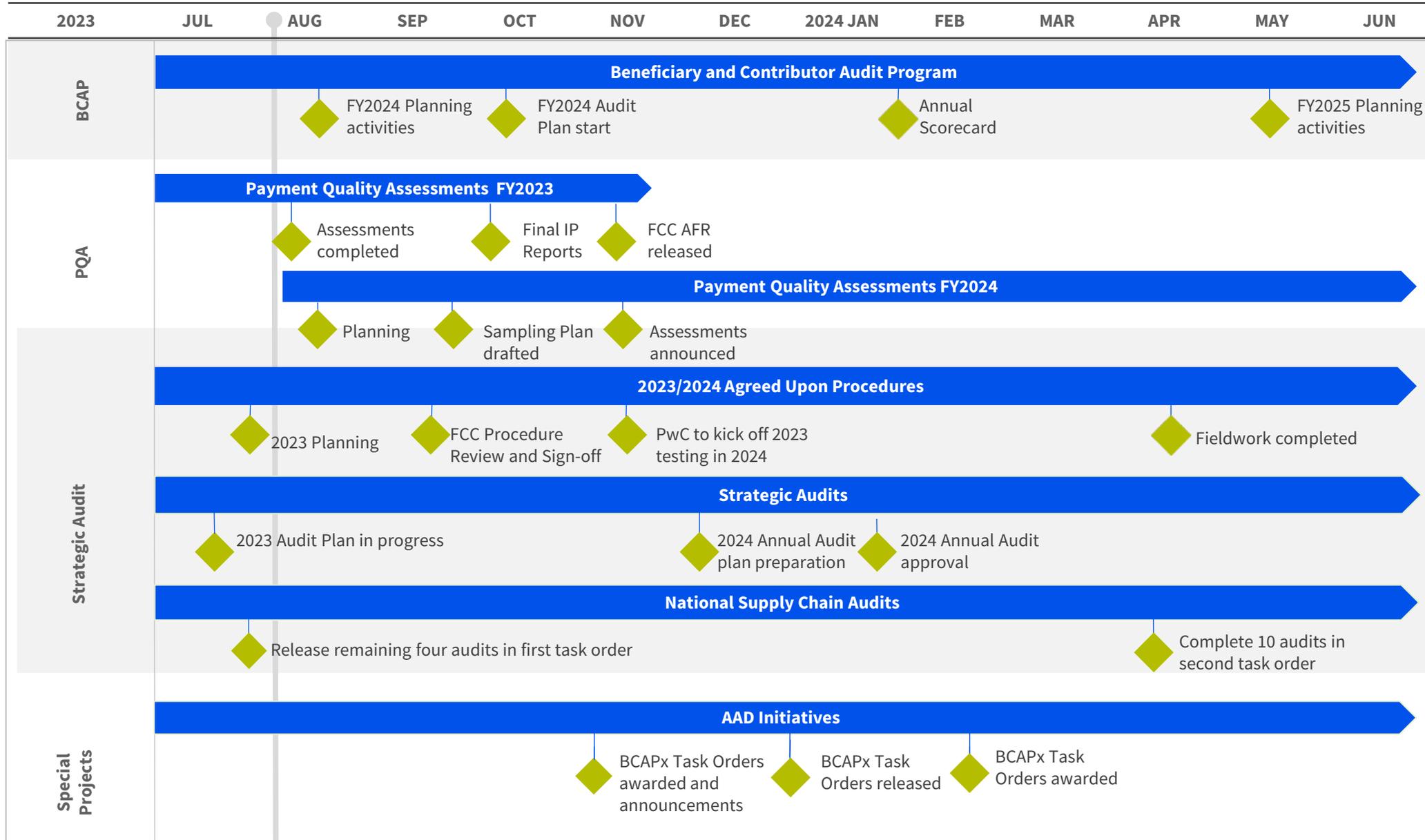
**Note:** For the 115 audits >12 months, 10 are with the audited entity, 65 are with USAC (AAD, Program, General Counsel), and 40 are with the FCC.

# PQA Assessments in Process

The status of PQA assessments in process as of July 1, 2023

Program	Announced	Fieldwork	Completed	<b>Total</b>
High Cost	0	0	130	<b>130</b>
Lifeline	0	218	13	<b>231</b>
E-Rate	0	141	209	<b>350</b>
<b>Total</b>	<b>0</b>	<b>359</b>	<b>352</b>	<b>711</b>

# Roadmap



**Milestone Legend**

- At Risk
- On Track
- Completed

# Appendix A: Glossary of Terms

Term	Definition
AAD	Audit and Assurance Division: An organization within USAC dedicated to preserving the integrity of universal service funds and USAC’s corporate resources by conducting objective audits, performing payment quality assessments, and evaluating the efficiency and effectiveness of USAC’s operations.
ACP	Affordable Connectivity Program: A \$14 billion federal program created through the Infrastructure Investment and Jobs Act to help low-income households pay for internet service and connected internet devices.
AUP	Agreed Upon Procedures: Annual review of USAC’s operations conducted by an 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 (collectively, FCC Rules).
BCAPx	Beneficiary and Contributor Audit Program External Audits: BCAP audits performed by outsourced (outside) audit firms.
CR	Contributor Revenue: Audits of Contributor Revenue filers.

# Appendix A: Glossary of Terms (Continued)

Term	Definition
E-Rate	Audits of E-Rate program participants.
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 Universal Service Fund disbursements and determines whether improper payments exist and assists the FCC in meeting its reporting obligations subject to the 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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