



# Audit Committee Meeting

## Briefing Book

Monday, October 30, 2023

2:15 p.m. - 3:45 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, October 30, 2023</b>  <b>2:15 p.m. – 3:45 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 July 24, 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 Assessment of the Independence and Financial Literacy of USAC Audit Committee Members</li> </ul>	5
Teleshia	<p><b>i1.</b> Audit and Assurance Business Update</p> <ul style="list-style-type: none"> <li>• Q3 2023 Accomplishments</li> <li>• Plans for Q4 2023</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	<p><b>i2.</b> Audit and Assurance Division Business Update (<i>Continued</i>)</p> <ul style="list-style-type: none"> <li>• Improper Payment Results</li> <li>• Update on High Cost Modernized Audits</li> </ul>	30
Teleshia	<b>a2.</b> Review of the Audit and Assurance Division Charter	10
Chair	<b>i3.</b> Audit Committee Executive Session with USAC’s Vice President of Audit and Assurance	15

**Next Scheduled USAC Audit Committee Meeting**

<p><b>Monday, January 29, 2024</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 July 24, 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** – Review of the Audit and Assurance Division Charter. USAC management recommends that this matter be discussed in *Executive Session* because the basis to support the changes relate to *specific internal controls and/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 recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.
- 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 (*see Attachment C*).

Upon request of a Committee member, the above items are available for discussion by the Committee.

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**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 July 24, 2023; (2) discussion in *Executive Session* of the items noted above; and

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

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

**AUDIT COMMITTEE MEETING**  
**Monday, July 24, 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 Monday, July 24, 2023. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 2:10 p.m. Eastern Time, with a quorum of four of the five Committee members present:

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

Gillan, Joe  
Polk, Stephanie – Vice Chair – *by telephone*

Members of the Committee not present:

Schell, Julie Tritt

Other Board members and officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer – *by telephone*  
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  
Gaither, Victor – Vice President of High Cost  
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  
O'Brien, Tim – Vice President of Lifeline  
Sekar, Radha – Chief Executive Officer  
Skrivan, Michael – Member of the Board  
Sweeney, Mark – Vice President of Rural Health Care  
Waller, Jeff – Member of the Board – *by telephone*  
Wein, Olivia – Member of the Board  
Wibberly, Dr. Kathy – Member of the Board  
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

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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.

Others present:

<u>NAME</u>	<u>COMPANY</u>
Alomari, Ghanem	USAC
Augustino, Steven – <i>by telephone</i>	Nelson Mullins Riley & Scarborough
Bartrug, Logan	PricewaterhouseCoopers
Boakye-Gyan, Carol	USAC
Bolling, Christopher – <i>by telephone</i>	USAC
Braxton-Johnson, Kianna	USAC
Burchins, Jessica – <i>by telephone</i>	Nelson Mullins Riley & Scarborough
Calhoun, Mitch	USAC
Campbell, Jo-Ann	USAC
Case, Kevin	USAC
Claxton, Naomi	USAC
Faunce, Donna – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Havivi, David – <i>by telephone</i>	USAC
Jaruboon, Jetshada – <i>by telephone</i>	Maximus
Krueger, Katie – <i>by telephone</i>	KPMG
Leonard, Tom	PricewaterhouseCoopers
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Robinson, Crystal	USAC
Santana-Gonzalez, Jeanette – <i>by telephone</i>	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies
Shang, Matthew	USAC
Smith, Christopher	USAC
Staurulakis, Chresanthe	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 April 20, 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) **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.
- 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.

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 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.

- i1. Audit and Assurance Business Update.** Ms. Delmar presented PowerPoint slides to the Committee for discussion covering the following topics:
- 2Q2023 Accomplishments
  - Plans for 3Q2023
  - Audit Aging Analysis
  - Roadmap

At 2:23 p.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 and Mr. Smith presented PowerPoint slides to the Committee for discussion covering the following topics:
- High Cost Program Improper Payment Results
  - High Cost Program Fraud Risk Assessment
  - High Cost Modernized Audit Update
  - Lifeline Biennial Audit Update

- a2. Action on One USAC Audit and Assurance Division Strategic Audit Report.** Ms. Delmar noted that there were no findings on this report.

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 Congressional response programs expense reimbursement process, accepts the recommendation of USAC management and hereby deems the report final.

- a5. Acceptance of USAC's 2022 Annual Financial Statement Audit and Agreed-Upon Procedures Review.** Mr. Leonard and Mr. Bartrug presented their report to the Committee noting there were no misstatements, significant deficiencies, or

materials weaknesses identified.

At 3:23 p.m. Eastern Time, on a motion duly made and seconded, the Committee continued in *Executive Session* with only members of the Board, Mr. Leonard, and Mr. Bartrug present.

- i3. Audit Committee *Executive Session* with USAC’s Independent Audit Firm.** Per the guidelines in the approved Audit Committee Charter, PricewaterhouseCoopers met with members of the Audit Committee and Board of Directors in a confidential *Executive Session*.

At 3:27 p.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.

- i4. 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 3:52 p.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 – i4 and took action on items a2 and a5.

On a motion duly made and seconded, the Committee adjourned at 3:53 p.m. Eastern Time.

/s/ Erin Williams  
Assistant Secretary

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

**Action Requested**

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

**Discussion**

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

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

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

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

The financial proficiency shown by Mr. Joseph Gillan and Mr. Fontana, is experience acquired during their professional careers.

- Mr. Gillan is an economist with extensive experience evaluating financial implications of technological change and regulatory policy in the telecommunications industry. Mr. Gillan has provided expert testimony in over 300 proceedings. Mr. Gillan was previously employed on the staff of the Illinois Commerce Commission as the Director of Market Structure, where he oversaw Commission policies that encouraged competition in the electric, gas, and telecommunications industries.
- Mr. Fontana has extensive experience in managing networks and acquisitions. He has held key positions with the responsibility of managing cross-functional execution across product management and development, sales, operations, finance, marketing, and business development. In his current capacity as the Global Principal of Fiber Network Development for Amazon Web Services, Mr. Fontana is defining cross-functional fiber network design and development strategies. Mr. Fontana received his Bachelor of Arts in Economics encompassing business, general economic theory, managerial accounting, legal communications, resource allocation, advanced statistical analysis, labor and international economics.

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

**Recommended USAC Audit Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

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



# **Audit Committee**

Audit and Assurance Business Update

*Open Session*

October 30, 2023



# Agenda

- Q3 2023 Accomplishments and Q4 2023 Plans
- Audit Aging Analysis
- Roadmap

# Q3 2023 Accomplishments and Q4 2023 Plans

Function	Q3 2023 Accomplishments	Q4 2023 Plans
Beneficiary and Contributor Audit Program (BCAP)	<ul style="list-style-type: none"> <li>Released 35 audits (2 CR, 13 HC, 3 LI, 12 E-Rate, and 5 RHC).</li> <li>Announced 13 audits (2 CR, 7 LI, 3 E-Rate, and 1 RHC).</li> <li>Continued site visits for CAF II Model and RBE audits (approx. 5,000 site visits).</li> <li>Submitted the Fiscal Year 2024 BCAP audit plan and updated audit procedures to the FCC.</li> </ul>	<ul style="list-style-type: none"> <li>Announce 15 audits and complete 30 audits.</li> <li>Kickoff planning activities for audits outsourced in FY2024 BCAP plan.</li> </ul>
Payment Quality Assurance (PQA)	<ul style="list-style-type: none"> <li>Completed the Fiscal Year 2023 E-rate and Lifeline improper payment testing; both programs show improvement.</li> <li>Initiated the Fiscal Year 2023 High Cost assessments</li> </ul>	<ul style="list-style-type: none"> <li>Announce the Fiscal Year 2024 Lifeline and E-Rate assessments.</li> <li>Continue Lifeline and ACP non-usage testing (currently testing 1Q2023).</li> </ul>
Supply Chain Audit Program (SCAP)	<ul style="list-style-type: none"> <li>Obtained FCC approval of audit procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Complete all 10 audits in second task order.</li> <li>Initiate planning activities for third task order.</li> </ul>
Strategic Audit (SA)	<ul style="list-style-type: none"> <li>Submitted the 2023 Agreed Upon Procedures (AUP) to the FCC.</li> <li>Commenced the User Experience audit for High Cost, E-Rate, and Rural Healthcare programs. The results, including the corrective action plans, will be presented at the January 2024 Audit Committee meeting.</li> <li>Commenced Information Security Vendor Management Audit to identify efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>PwC to kick-off financial statement audit and AUP.</li> <li>Complete User Experience audits for High Cost, E-Rate, and Rural Healthcare programs.</li> <li>Complete Information Security Vendor Management Audit.</li> <li>Begin the process of developing for the 2024 audit plan.</li> </ul>

# BCAP Audits in Process

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

Program	Announced	Fieldwork	Reporting	<b>Total</b>
Contributor Revenue	2	11	7	<b>20</b>
High Cost	0	36	26	<b>62</b>
Lifeline	7	22	12	<b>41</b>
E-Rate	0	36	52	<b>88</b>
Rural Health Care	0	12	24	<b>36</b>
<b>Total</b>	<b>9</b>	<b>117</b>	<b>121</b>	<b>247</b>

# BCAP Audits Aging Report

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

Program	< 6 months	> 6 months	> 12 months	> 18 months	Total	Change from 07/01/2023
Contributor Revenue	8	2	4	6	20	0
High Cost	15	22	10	15	62	(12)
Lifeline	11	7	13	10	41	6
E-Rate	22	17	27	22	88	(9)
Rural Health Care	6	10	12	8	36	(4)
<b>Total #</b>	<b>62</b>	<b>58</b>	<b>66</b>	<b>61</b>	<b>247</b>	(19)
<b>Total %</b>	<b>25.1%</b>	<b>23.5%</b>	<b>26.7%</b>	<b>24.7%</b>	<b>100%</b>	<b>N/A</b>
<b>Reporting Phase</b>	2	11	57	51	121	(17)

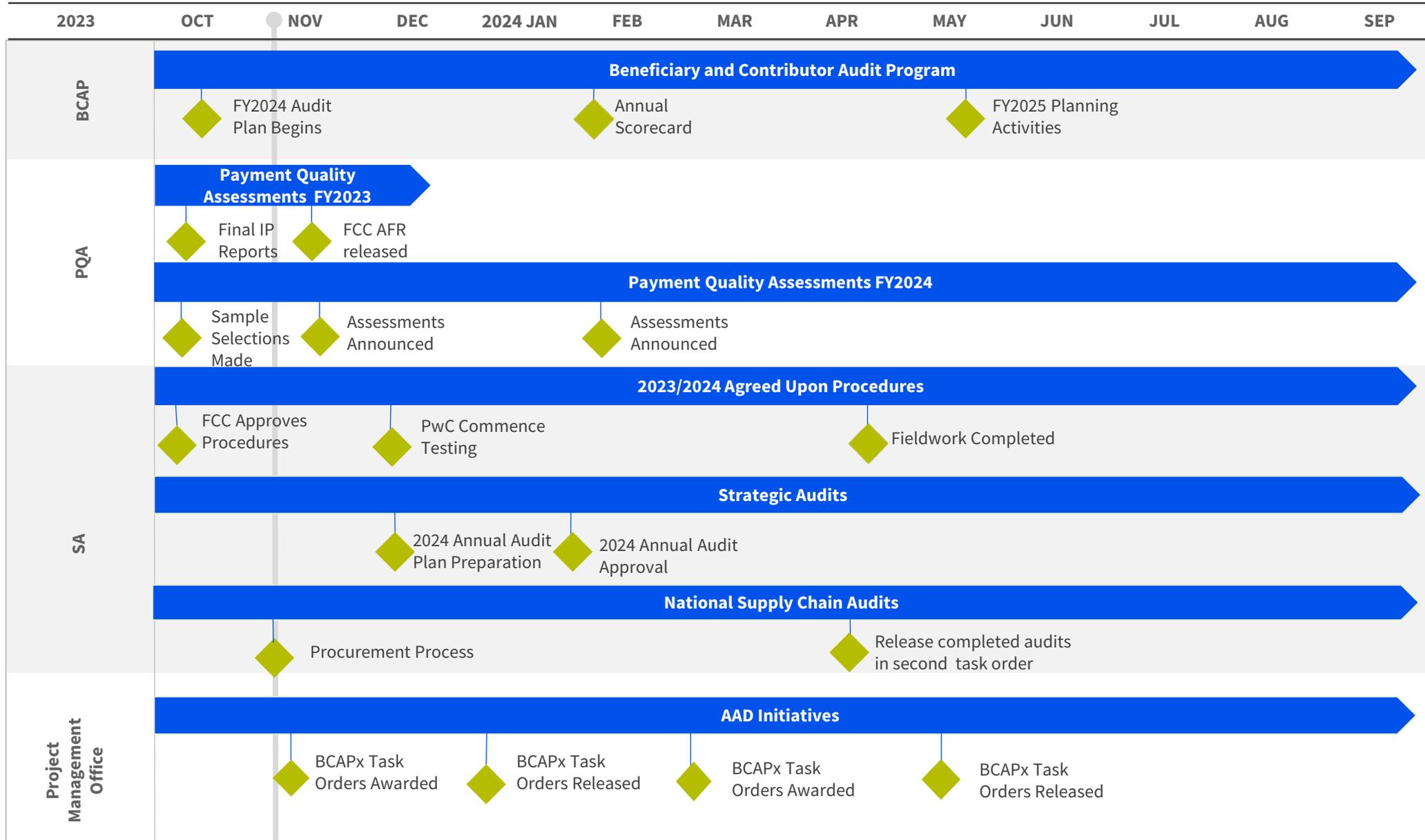
**Note:** For the 127 audits > 12 months, 5 are with the audited entity, 74 are with USAC (AAD, Program, General Counsel), 40 are with the FCC, and 8 are ready for the next release.

# PQA Assessments in Process

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

Program	Announced	Fieldwork	Completed	<b>Total</b>
High Cost	130	130	0	<b>130</b>
Lifeline	0	0	231	<b>231</b>
E-Rate	0	0	350	<b>350</b>
<b>Total</b>	<b>130</b>	<b>130</b>	<b>581</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 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 FCC rules, orders, and program requirements (FCC Rules) related to protecting the communications supply chain.
USF	Universal Service Fund: The four universal service programs.



**Universal Service  
Administrative Co.**