



Audit Committee

Briefing Book

Monday, October 27, 2025

11:00 a.m. – 12:30 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**

**Monday, October 27, 2025
11:00 a.m. – 12:30 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005**

OPEN SESSION		<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 July 28, 2025 B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> C. Annual Assessment of the Independence and Financial Literacy of USAC Audit Committee Members	5
Teleshia	i1. Audit and Assurance Division Business Update • Q3 2025 Accomplishments • Q4 2025 Plans • Roadmap • Appendices: - A: BCAP Audits in Process - B: BCAP Audits Aging Report - C: SCAP Audits in Process - D: PQA Assessments in Process - E: Glossary of Terms	15

EXECUTIVE SESSION Confidential – <i>Executive Session Recommended</i>		<i>Estimated Duration in Minutes</i>
Teleshia	i2. Audit and Assurance Division Business Update (<i>Continued</i>) • Improper Payment Results • Internal Quality Assessment Results	20
Teleshia	a2. Action on Two USAC Audit and Assurance Division Strategic Audit Reports	15
Teleshia	a3. Review of the USAC Audit and Assurance Division External Peer Review Reports	15
Teleshia	a4. Review of the Audit and Assurance Division Charter	10

EXECUTIVE SESSION Confidential – <i>Executive Session Recommended</i>		<i>Estimated Duration in Minutes</i>
Chair	i3. Audit Committee Discussion for Strategic Audits in 2026	10
Chair	i4. Audit Committee <i>Executive Session</i> with USAC’s Vice President of Audit and Assurance	10

Next Scheduled USAC Audit Committee Meeting

Monday, January 26, 2026 USAC Offices, Washington, D.C.
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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 July 28, 2025 (see **Attachment A**)
- 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 item be discussed in *Executive Session* because it may involve discussion of *specific internal controls or confidential company data* or *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 and *relates to pre-decisional matters pending before the FCC*.
 - (2) **a2.** Action on Two USAC Audit and Assurance Division Strategic Audit Reports. USAC management recommends that this matter be discussed in *Executive Session* because these reports relate to *specific internal controls or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **a3.** Review of the USAC Audit and Assurance Division External Peer Review Reports. 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.
 - (4) **a4.** Review of the Audit and Assurance Division Charter. USAC management recommends that this matter be discussed in *Executive Session* because discussion of the charter would relate *to specific*

internal controls and/or confidential company data that could constitute a discussion of internal rules and procedures.

- (5) **i3.** Audit Committee Discussion for Strategic Audits in 2026. USAC management recommends that this matter be discussed in ***Executive Session*** pursuant to the guidelines in the approved Audit Committee Charter.
- (6) **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 Assessment of the Independence and Financial Literacy of USAC Audit Committee Members. In accordance with Section II.A.1 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.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the Audit Committee of the USAC Board of Directors hereby approves: (1) the Committee meeting minutes of July 28, 2025; (2) discussion in ***Executive Session*** of the items noted above; and (3) the annual assessment of the independence and financial literacy of the USAC audit committee members 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 28, 2025

(DRAFT) MINUTES¹

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 28, 2025. Ms. Julie Tritt Schell, Committee Chair, called the meeting to order at 2:25 p.m. Eastern Time, with a quorum of four of the five Committee members present.

Gregory, Amber
Kettwich, Dan
Mason, Ken – Vice Chair
Schell, Julie Tritt – Chair

Members not present:

Polk, Stephanie

Other Board members and officers of the corporation present:

Butler, Stephen – Vice President of Shared Services
Chalk, Indra – Member of the Board
Dalhover, Brian – Member of the Board
Davis, Criag – 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
Green, Anisa – Member of the Board
O'Brien, Tim – Vice President of Lifeline
Sekar, Radha – Chief Executive Officer
Semmler, Kara – 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
Williams, Erin – Vice President, 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.

Others present:

NAME

COMPANY

Ayer, Catriona	USAC
Batemon, Lanelle – <i>by telephone</i>	Institute for Digital Health & Innovation – UAMS-e-Link
Boakye-Gyan, Carol	USAC
Cleveland, John – <i>by telephone</i>	Federal Funding Advisor, LLC
Francisco, Dale	USAC
Goode, Vernell	USAC
King, Ryan	USAC
Kriete, Debra	South Dakota Department of Education
Leonard, Jr., Thomas	PwC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Portillo, Jennifer	USAC
Rivera, Daniel	HPE Aruba Networking
Robinson, Crystal	USAC
Schrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Smith, Chris	USAC
Staurulakis, Chresanthe	USAC
Storey, Sarah	ICC
Troung, Linh	USAC
Ward, Rashonda	USAC
Weidinger, Andrew	PwC

OPEN SESSION

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

a1. Consent Items. Ms. Schell presented this item to the Committee.

A. Approval of the Audit Committee meeting minutes of April 28, 2025.

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 the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

- (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 the report relates to *specific internal controls and/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 this matter 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 and/or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (5) **a5.** Acceptance of USAC's 2024 Annual Financial Statement Audit and Agreed-Upon Procedures Review (*same as iBOD05cf*). 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.
 - (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*).

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 28, 2025; (2) discussion in *Executive Session* of the items noted above; (3) the annual review of USAC's system of internal controls; and (4) the annual review of USAC's financial reporting process.

i1. Audit and Assurance Division Business Update. Ms. Delmar presented a PowerPoint presentation including the following topics:

- Q2 2025 Accomplishments
- Q2 2025 Plans
- Roadmap
- Appendices A-D: Status of Various Audits and Assessments
- Appendix E: Glossary of Terms

At 2:54 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, FCC, and USAC staff were present.

EXECUTIVE SESSION

i2. Audit and Assurance Division Business Update (*Continued*). Ms. Delmar presented a PowerPoint presentation on the Fiscal Year 2024 Common BCAP/SCAP Audits and PQA Assessment Findings and Corrective Action Plans.

a2. Action on One USAC Audit and Assurance Division Strategic Audit Report. Ms. Delmar presented the Audit and Assurance Division's strategic audit report for the High Cost Manual Data Process Audit to the Committee.

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 follow-up audit report for the High Cost Manual Data Process, accepts the recommendation of USAC management and hereby deems the report final.

a3. Annual Review of USAC's System of Internal Controls. No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the USAC Audit Committee accepts the review of USAC's system of internal controls.

- a4. **Annual Review of USAC's Financial Reporting Process.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the USAC Audit Committee accepts the review of USAC's system of internal controls.

- a5. **Acceptance of USAC's 2024 Financial Statement Audit and Agreed-Upon Procedures Review (Same as iBOD05cf).** Ms. Delmar introduced PricewaterhouseCoopers LLP to present this item. Mr. Leonard and Mr. Weidinger presented this item to the Committee.

RESOLVED, that the USAC Audit Committee, having reviewed the Report to the Audit Committee, as submitted by PricewaterhouseCoopers LLP, hereby accepts the Report to the Audit Committee, including the results of the 2024 Financial Statement Audit and Agreed-Upon Procedures Review and hereby directs PricewaterhouseCoopers LLP to issue the final signed reports to USAC.

At 3:32 p.m. Eastern Time, the Committee continued in Executive Session with only non-staff members of the Board and Mr. Leonard and Mr. Weidinger present.

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

At 3:38 p.m. Eastern Time, the Committee continued in Executive Session with only non-staff 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 4:30 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Ms. Schell reported that, in *Executive Session*, the Committee acted on item a2 and a5 and discussed items i2, i3, and i4.

Action Item #aAC01 10/27/2025

Attachment A

Minutes of July 28, 2025

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On a motion duly made and seconded, the Committee adjourned at 4:30 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 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:

Audit Committee Charter (Section II, A1c, 2a-c)	Julie Tritt Schell	Kenneth Mason	Stephanie Polk	Amber Gregory	Daniel Kettwich
[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>

Audit Committee Charter (Section II, A1c, 2a-c)	Julie Tritt Schell	Kenneth Mason	Stephanie Polk	Amber Gregory	Daniel Kettwich
[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>No</i>	<i>Yes</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 entities that contribute to and/or receive funds from the Universal Service Fund (USF).</i>					

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 collective membership of the Committee fulfills 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 annual assessment of the independence and financial literacy of the USAC audit committee members 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 27, 2025

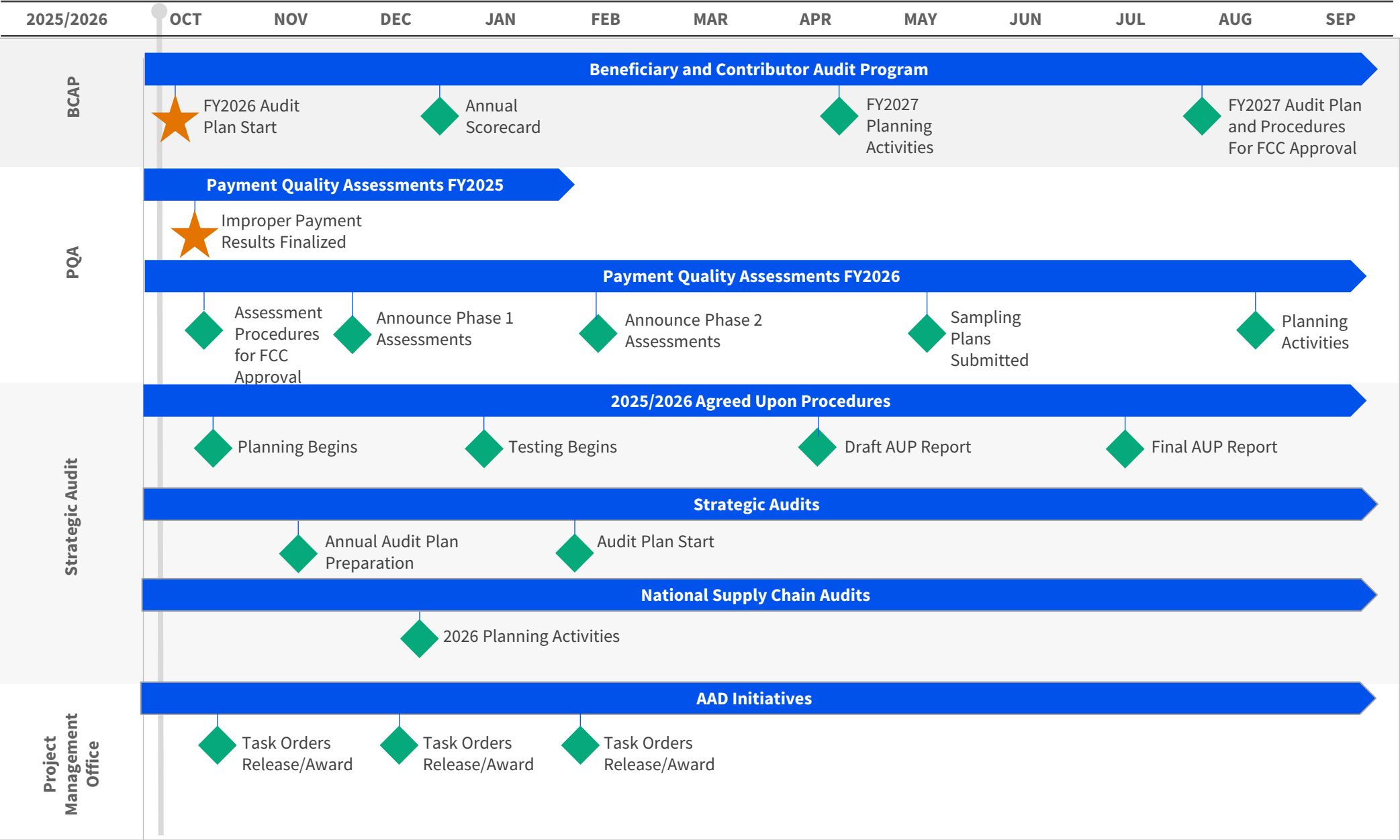
Agenda

- Q3 2025 Accomplishments
- Q4 2025 Plans
- Roadmap
- Appendices
 - A: BCAP Audits in Progress
 - B: BCAP Audits Aging Report
 - C: SCAP Audits in Progress
 - D: PQA Assessments in Progress
 - E: Glossary of Terms

Q3 2025 Accomplishments and Q4 2025 Plans

Function	Q3 2025 Accomplishments	Q4 2025 Plans
Beneficiary and Contributor Audit Program (BCAP)	- Released 46 audits (7 CR, 13 HC, 2 LI, 21 E-Rate, and 3 RH). - Announced 5 audits (4 LI, and 1 E-Rate). - Finalized and submitted 2026 BCAP Audit Plan to FCC. - Obtained a Pass rating following external peer review. - Conducted audit training for E-Rate participants and participated in joint meeting with FCC and SECA.	- Announce 10 and complete 25 audits. - Continue to implement the Compliance and Audit Modernization Platform (CAMP). - Conduct audit training for changes to the audit procedures.
Supply Chain Audit Program (SCAP)	Released 13 audits.	- Complete 9 audits. - Release 2 audits.
Payment Quality Assurance (PQA)	Completed 150 High Cost and 225 Lifeline assessments.	Announce Batch 1 of FY26 High Cost and Lifeline assessments.
Strategic Audit (SA)	- Completed two audits. - Finalized and submitted the AUP 2025/2026 plan to the FCC. - Coordinated AAD’s peer review for the two main auditing standards.	- Complete the remaining three audits on the SA plan. - Commence AUP 2025/2026 coordination. - Commence two internal supply chain audits.

Roadmap



Milestone Legend

▲

At Risk

◆

On Track

★

Completed

Appendix A: BCAP Audits in Process

The status of BCAP audits in process as of October 1, 2025

Program	Announced	Fieldwork	Reporting	Total
Contributor Revenue	0	10	13	23
High Cost	0	29	27	56
Lifeline	4	17	23	44
E-Rate	1	15	33	49
Rural Health Care	0	10	23	33
Total	5	81	119	205

Appendix B: BCAP Audits Aging Report

The aging report of BCAP audits in process as of October 1, 2025

Program	< 6 months	> 6 months	> 12 months	> 18 months	Total	Change from 7/28/2025
Contributor Revenue	0	13	2	8	23	(8)
High Cost	3	25	0	28	56	(13)
Lifeline	4	12	10	18	44	2
E-Rate	2	23	3	21	49	(20)
Rural Health Care	6	9	6	12	33	(3)
Total #	15	82	21	87	205	(42)
Total %	7.3%	40.0%	10.2%	42.4%	100%	
Reporting Phase	4	26	15	74	119	(6)

Note: For the 87 audits > 18 months, 7 are with the audited entity, 53 are with USAC, and 27 are with the FCC.

Appendix C: SCAP Audits in Process

The status of SCAP audits in process as of October 1, 2025

	Announced	Fieldwork	Reporting	Total
	0	7	4	11
Total	0	7	4	11

Note: Of the 11 entities under audit, 3 received HC funds, 9 received E-Rate funds, and 7 received RHC funds. An entity may have received one or more types of USF funds.

Appendix D: PQA Assessments in Process

The status of PQA assessments in process as of October 1, 2025

Program	Announced	Fieldwork	Reporting	Total
High Cost	0	0	150	150
Lifeline	0	0	225	225
Total	0	0	375	375

Appendix E: 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 or SCAPx	Beneficiary and Contributor Audit Program External Audits or Supply Chain Audit Program External Audits: BCAP or SCAP audits performed by outsourced (outside) audit firms.
CR	Contributor Revenue: Audits of Contributor Revenue filers.
E-Rate	Audits of E-Rate program participants.
HC	High Cost: Audits of High Cost program participants.
IP	Improper Payment. A payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Appendix E: Glossary of Terms (Continued)

Term	Definition
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.
NECA	National Exchange Carrier Association. Created by the FCC to administer the FCC’s access charge plan, which helps ensure telephone service remains available and affordable in all parts of the country.
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.
SC or SCAP	Supply Chain or 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.
SECA	State E-Rate Coordinators’ Alliance. Organization that provides assistance to schools and libraries.
USF	Universal Service Fund: The four universal service programs.

