



Audit Committee

Briefing Book

Monday, July 27, 2026

2:00 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**

**Monday, July 27, 2026
2:00 p.m. – 4:15 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 April 27, 2026 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 (See aAC03cf) D. Annual Review of USAC’s Financial Reporting Process (See aAC04cf)	5
Teleshia	i1. Audit and Assurance Division Business Update • Q2 2026 Accomplishments and Q3 2026 Plans • Roadmap • Appendices: - A: BCAP Audits in Process - B: BCAP Audits Aging Report - C: SCAP Audit Reports in Progress - D: PQA Assessments in Process - E: Glossary of Terms	25

EXECUTIVE SESSION <i>Executive Session Recommended</i> Confidential-Not for Public Disclosure		<i>Estimated Duration in Minutes</i>
Teleshia	i2. Audit and Assurance Division Business Update (<i>Continued</i>) • Fiscal Year 2025 Common BCAP and PQA Assessment Findings • Fiscal Year 2025 BCAP and PQA Corrective Action Plans	30
Teleshia	a2. Action on One USAC Audit and Assurance Division Internal Audit Report	10
Teleshia	a3. Annual Review of USAC’s System of Internal Controls	–
Teleshia	a4. Annual Review of USAC’s Financial Reporting Process	–
Teleshia/	a5. Acceptance of USAC’s 2025 Financial Statement Audit and	20

EXECUTIVE SESSION <i>Executive Session Recommended</i> Confidential-Not for Public Disclosure		<i>Estimated Duration in Minutes</i>
Dale/ Gina Gin, PwC Partner	Agreed-Upon Procedures Review (Same as iBOD04cf)	
PwC	i3. Audit Committee <i>Executive Session</i> with USAC's Independent Audit Firm – PricewaterhouseCoopers LLP	15
Chair	i4. Audit Committee <i>Executive Session</i> with USAC's Vice President of Audit and Assurance	30

Next Scheduled USAC Audit Committee Meeting

Monday, October 26, 2026 USAC Offices, Washington, D.C

**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 27, 2026 (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 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 Internal 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 2025 Annual Financial Statement Audit and Agreed-Upon Procedures Review (*same as iBOD04cf*). 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*).

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 April 27, 2026; (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.

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

AUDIT COMMITTEE MEETING
Monday, April 27, 2026

(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, April 27, 2026. Ms. Julie Tritt Schell, Committee Chair, called the meeting to order at 2:02 p.m. Eastern Time, with a quorum of all five of the Committee members present.

Gregory, Amber
Kettwich, Dan
Mason, Ken – Vice Chair
Schell, Julie Tritt – Chair
Wade, Dr., Joan

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
Dalhover, Brian – Member of the Board – *by telephone*
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Francisco, Dale – Chief Financial Officer (Interim)
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Chief Executive Officer (Interim), and Assistant Treasurer
Green, Anisa – Member of the Board
O'Brien, Tim – Vice President of Lifeline
Schram, Tim – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Thompson, Mona – Member of the Board
Wein, Olivia – Member of the Board
Wibberly, Dr. Kathy – 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:

<u>NAME</u>	<u>COMPANY</u>
Babin, Hunter	TCI
Boakye-Gyan, Carol	USAC
Braxton-Johnson, Kianna	USAC
Claxton, Naomi	USAC
Frazier, Trisha	State Library of Iowa
Goode, Vernell	USAC
Hung, Jennifer	USAC
Kriete, Debra	South Dakota DOE and State E-Rate Coordinators' Alliance
Lloyd, Pamela	USAC
Morgan, Meredith	USAC
Nuzzo, Patsy	USAC
Santana Gonzalez, Jeanette	USAC
Schrader, Theresa	Broadband Legal Strategies, LLC
Shannon, Alyssa	Channelford Associates, Inc.
Smith, Chris	USAC
Staurulakis, Chresanthe	USAC
Traverso, Tania	Channelford Associates, Inc.
Truong, Linh	USAC

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 January 26, 2026.

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

- (1) **a2.** Action on One USAC Audit and Assurance Division Strategic Audit Report. 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.
- (2) **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. Review of 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 C 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, USAC's ongoing compliance with laws and regulations is monitored and assessed through the combined efforts of USAC's Office of General Counsel, Audit and Assurance Division, Human Resources Division, Finance Division, Shared Services Division, and Information Technology Division.

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 26, 2026; and (2) discussion in *Executive Session* of the items noted above; and (3) review of USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

- i1. Audit and Assurance Division Business Update.** Ms. Delmar presented a PowerPoint presentation including the following topics:
- Q1 2026 Accomplishments and Q2 2026 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
- i2. Post Audit/Assessment Survey Results.** Ms. Delmar presented a PowerPoint presentation reviewing the survey results.

At 2:30 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

a2. Action on One USAC Audit and Assurance Division Internal Audit Report.

Ms. Delmar presented a USAC Audit and Assurance Division (AAD) Information Technology (IT) Security Vendor Management Follow-Up Audit.

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 Internal Audit Report for the IT Security Vendor Management Follow-Up Audit, accepts the recommendation of USAC management and hereby deems the report final.

At 2:36 p.m. Eastern Time, the Committee continued in Executive Session with only non-staff 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 3:25 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Ms. Tritt Schell reported that, in *Executive Session*, the Committee acted on item a2 and discussed item i3.

On a motion duly made and seconded, the Committee adjourned at 3:25 p.m. Eastern Time.

/s/ Erin Williams

Assistant Secretary



Audit Committee

Audit and Assurance Business Update

Open Session

July 27, 2026

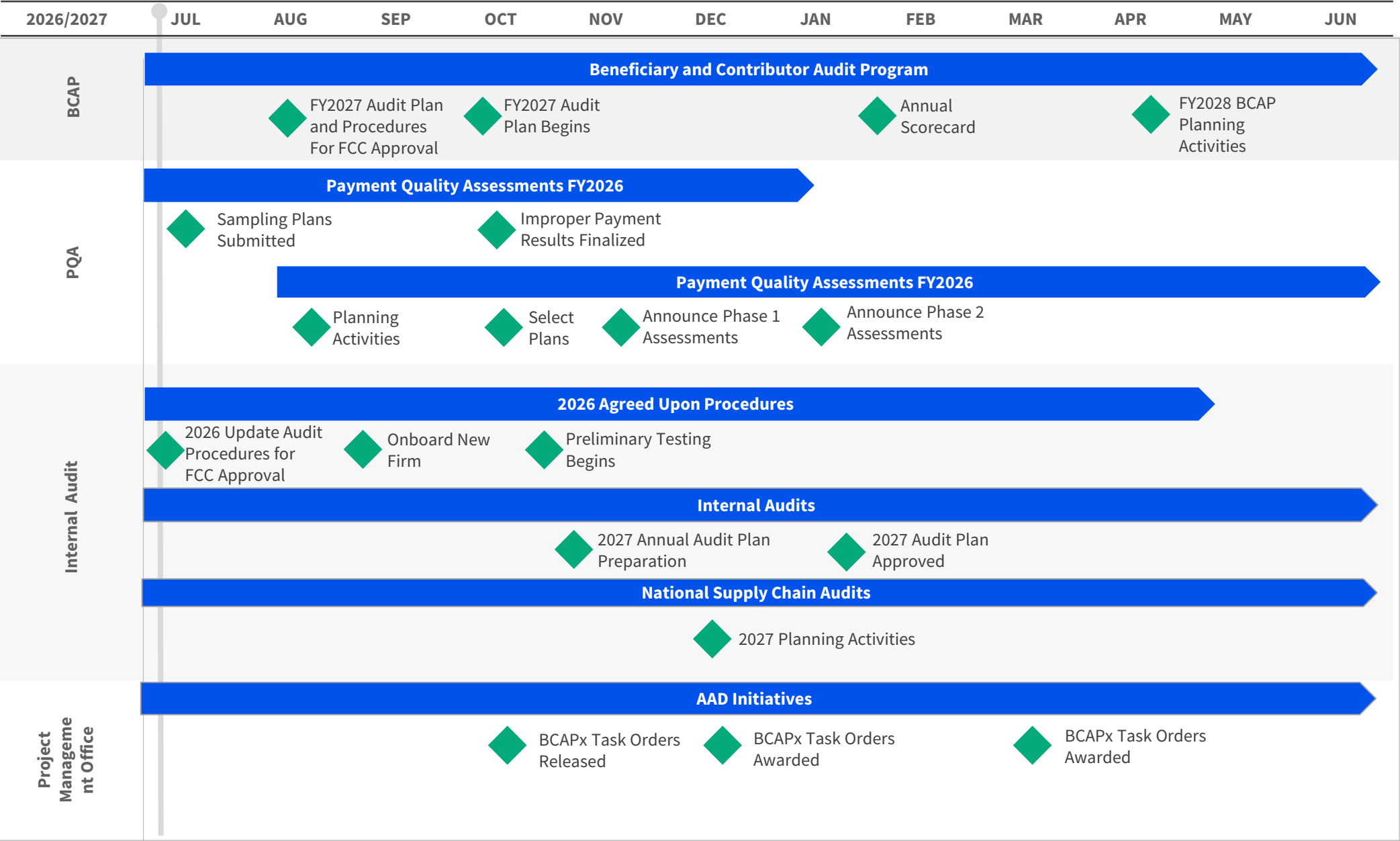
Agenda

- Q2 2026 Accomplishments and Q3 2026 Plans
- Roadmap
- Appendices
 - A: BCAP Audits in Progress
 - B: BCAP Audit Aging Report
 - C: SCAP Audit Reports in Progress
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 - E: Glossary of Terms

Q2 2026 Accomplishments and Q3 2026 Plans

Function	Q2 2026 Accomplishments	Q3 2026 Plans
Beneficiary and Contributor Audit Program (BCAP)	- Completed 16 audits (4 HC, 2 LI, 6 E-Rate, and 4 RHC). - Announced 38 audits (16 HC, 6 LI, and 16 E-Rate). - Conducted Lifeline audit training. - Onboarded statistician and began planning process for HC Connect America Fund Broadband Loop Support audits.	- Announce 11 audits. - Complete 25 audits. - Finalize and submit 2027 BCAP Plan to FCC.
Payment Quality Assurance (PQA)	- Announced the remaining 30 High Cost assessments. - Completed 58 High Cost and 9 Lifeline assessments.	Complete the testing and quality assurance (QA) review for the remaining 90 High Cost and Lifeline 231 assessments.
Supply Chain Audit Program (SCAP)	- Announced 10 audits. - Completed 2 audits.	- Complete 12 audits. - Finalize and submit 2027 SCAP Plan to FCC.
Internal Audit (IA)	- Completed one IA audit. - Completed 2025 AUP coordination activities.	- Complete two IA audits. - Plan and update 2026 AUP procedures.
Project Management Office (PMO)	Conducted training on new CAMP system.	Migrate to SharePoint online for our external vendors.

Roadmap



Milestone Legend

At Risk

On Track

Completed

Appendix A: BCAP Audits in Process

The status of BCAP audits in process as of July 1, 2026

Program	Announced	Fieldwork	Reporting	Total
Contributor Revenue	0	9	14	23
High Cost	18	37	24	79
Lifeline	1	28	28	57
E-Rate	0	41	32	73
Rural Health Care	4	8	25	37
Total	23	123	123	269

Appendix B: BCAP Audits Aging Report

The aging report of BCAP audits in process as of July 1, 2026

Program	< 6 months	> 6 months	> 12 months	> 18 months	Total	Change from 4/28/2026
Contributor Revenue	0	8	5	10	23	0
High Cost	29	9	18	23	79	16
Lifeline	16	4	8	29	57	4
E-Rate	17	16	15	25	73	11
Rural Health Care	6	3	12	16	37	(2)
Total #	68	40	58	103	269	29
Total %	25.0%	15.0%	22.0%	38.0%	100.0%	N/A
Reporting Phase	0	7	28	88	123	(20)

Note: For the 103 audits > 18 months, 1 is with the audited entity, 55 are with USAC, and 47 are with the FCC.

Appendix C: SCAP Audit Reports in Process

The status of SCAP audits in process as of July 1, 2026

	Announced	Fieldwork	Reporting	Total
	1	16	5	22
Total	1	16	5	22

Appendix D: PQA Assessments in Process

The status of PQA assessments in process as of July 1, 2026

Program	Announced	Fieldwork	Completed	Total
High Cost	0	90	58	148
Lifeline	0	231	9	240
Total	0	321	67	388

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 training to schools and libraries.
USF	Universal Service Fund: The four universal service programs.

