



# Board of Directors Quarterly Meeting

## Briefing Book

Tuesday, October 24, 2017

8:30 a.m. - 2:30 p.m. Eastern Time

Universal Service Administrative Co. Offices

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

**Universal Service Administrative Company  
Board of Directors Quarterly Meeting  
Agenda**

**Tuesday, October 24, 2017  
8:30 a.m. – 2:30 p.m. Eastern Time  
USAC Offices  
700 12th Street, N.W., Suite 900  
Washington, D.C. 20005**

	<u><b>OPEN SESSION</b></u>	<i>Estimated Duration in Minutes</i>
Chair	<b>a1.</b> Consent Items (each available for discussion upon request): <b>A.</b> Approval of Board of Directors Meeting Minutes of July 25, 2017 and September 28, 2017. <b>B.</b> Approval of moving all <i>Executive Session</i> Items into <i>Executive Session</i> .	5
Chair	<b>a2.</b> Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.	10
Chair	<b>a3.</b> Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.	5
Charlie	<b>a4.</b> Approval of 1st Quarter 2018 USAC Common and Consolidated Budgets and Demand Projections.	10
Vickie Mark	<b>i1.</b> Business Update: <b>A.</b> Organizational Update on Common Services Model. <b>B.</b> Tour of Expanded Office Space. <b>C.</b> Exhibits (Information Only).	60

	<u><b>EXECUTIVE SESSION</b></u>	
Mark/ Stephen	<b>a5.</b> Consideration of a Contract Award for Call Center Services – <b>Confidential – Executive Session Recommended.</b>	25
Charlie	<b>i2.</b> Procurement Related Reports – <b>Confidential – Executive Session Recommended.</b> <b>A.</b> Third Quarter 2017 Procurement Report. <b>B.</b> Status on Major Procurements.	
Charlie	<b>i3.</b> Information on Preliminary 2018 Annual USAC Common and Consolidated Budgets – <b>Confidential – Executive Session Recommended.</b>  <i>Same as iEC01cf</i>	30
Fred	<b>i4.</b> Contributors and Providers Business Update – <b>Confidential –</b>	30

Theobald	<i>Executive Session Recommended.</i>	
Nikki-Blair Carpenter	<b>i5.</b> Information on Nine USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports – <b>Confidential – Executive Session Recommended.</b>	10
Chair	<b>i6.</b> Executive Session (Lunch) with Board Only – <b>Confidential – Executive Session Recommended.</b> <b>A.</b> Update on CEO Search.	60
Vickie	<b>i7.</b> Personnel Matter and Discussion of FCC-USAC Executive Committee Quarterly Meeting (Post Lunch) – <b>Confidential &amp; Proprietary – Executive Session Recommended.</b>	60

**Next USAC Board of Directors Meeting**

<p><b>Tuesday, January 30, 2018</b>  <b>8:30 a.m. – 2:30 p.m. Eastern Time</b>  <b>USAC Offices, Washington, D.C.</b></p>
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**Universal Service Administrative Company  
Board of Directors Meeting**

**ACTION ITEM**

**Consent Items**

**Action Requested**

The USAC Board of Directors (Board) is requested to approve the consent items listed below.

**Discussion**

The Board is requested to approve the following items using the consent resolutions below:

- A. Board meeting minutes of July 25, 2017 and September 28, 2017 (*see Attachments A-1 through A-2*).
  
- B. Approval for discussing in *Executive Session* agenda items:
  - (1) **a5** – Consideration of a Contract Award for Call Center Services. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
  - (2) **i2.** – Procurement Related Reports. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
  - (3) **i3** – Information on Preliminary 2018 Annual USAC Common and Consolidated Budgets. USAC management recommends that this matter be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
  - (4) **i4** – Quarterly Report on USF Contribution Matters. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
  - (5) **i5** – Information on Nine USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommends this item be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
  - (6) **i6** – Executive Session (Lunch) with Board Only. USAC management recommends that discussion of this item includes personnel matters and

therefore should occur in *Executive Session* consistent with USAC's long-standing practice and to preserve privacy.

- (7) **i7** – Personnel Matter. Consistent with USAC's long-standing practice and to preserve privacy, USAC management recommends this item be discussed in *Executive Session*. This matter is also subject to *attorney/client privilege*.

Upon request of a Board member, any one or more of the above items are available for discussion by the Board.

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors hereby approves the Board meeting minutes of July 25, 2017 and September 28, 2017 and discussion in *Executive Session* of the items noted above.

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

**BOARD OF DIRECTORS MEETING**  
**Tuesday, July 25, 2017**

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

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, July 25, 2017. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:32 a.m. Eastern Time, with a quorum of 17 of the 19 Board members present:

Bocher, Robert	Lubin, Joel – Vice Chair
Buzacott, Alan	Mason, Ken
Choroser, Beth	Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary
Domenech, Dr. Dan	Talbott, Dr. Brian – Chair
Feiss, Geoff	Tinic, Atilla
Fontana, Brent – <i>by telephone</i>	Wein, Olivia
Gerst, Matthew	Wibberly, Dr. Kathy – <i>by telephone</i>
Gillan, Joe	
Hernandez, Dr. Mike	
Kinser, Cynthia	

Mr. Ronald Brisé joined the meeting at 8:53 a.m. He did not participate in the discussion of, or vote on, items a1 or a2.

Members of the Board not present:

Jacobs, Ellis – Secretary

Officers of the corporation present:

Davis, Craig – Vice President of Schools & Libraries  
Gaither, Victor – Vice President of High Cost  
Garber, Michelle – Vice President of Lifeline  
Lee, Karen – Vice President of Rural Health Care  
Poulin, Chera – Vice President and Chief Human Resources Officer  
Salvator, Charles – Vice President of Finance, Chief Financial Officer and  
Assistant Treasurer  
Scott, Wayne – Vice President of Internal Audit

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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.

Shah, Hemang – Vice President of Enterprise Portfolio Management  
 Sweeney, Mark – Chief Operating Officer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Beckford, Ernesto	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Faunce, Donna	USAC
Fischer, Dennis	USAC
Francisco, Dale	USAC
Goldman, William	Socrata
Goode, Vernell	USAC
Hardy, Macey	USAC
Hodjatzadeh, Alex	USAC
Hutchinson, Kyle	USAC
King, Lauren	USAC
Lepore, Dominic	USAC
Litman, Travis	FCC
Lutz, Corey	USAC
Miller, Jack	Solix
Nuzzo, Patsy	USAC
Parmentier, Peter	USAC
Schecker, Laurence	USAC
Schrieber, Johnnay	USAC
Sequin, Eric	Solix
Theobald, Fred	USAC

**OPEN SESSION**

**a1. Consent Items.** Dr. Talbott presented these items to the Board.

- A. Approval of Board meeting minutes of April 25, 2017, May 3, 2017, June 20, 2017, and June 26, 2017.
- B. Approval for discussing in *Executive Session* agenda items:
  - (1) **a4** – Procurements. USAC management recommends this item be discussed in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*
  - (2) **a5** – Consideration of the Revised 2017 Annual USAC Common and Consolidated Budgets. USAC management recommends that discussion of this item be conducted in *Executive Session* because

this matter relates to USAC's *procurement strategy and contract administration*.

- (3) **i1 (Attachment A)** – Organizational Snapshot. USAC management recommends that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (4) **i2** – Acceptance of USAC's 2016 Annual Financial Audit and Agreed-Upon Procedures Review. USAC management recommends that this matter be discussed in *Executive Session* because this report includes *confidential company data*. **47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.**
- (5) **i3** – Procurements Reports. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (6) **i4** – Quarterly Report on USF Contribution Matters. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.*
- (7) **i5** – Information on 14 USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommends this item be discussed in *Executive Session* because the reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, **47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.**
- (8) **i6** – Executive Session (Lunch) with Board Only. USAC management recommends that this item be discussed in *Executive Session* because it includes personnel matters and therefore should occur in *Executive Session* consistent with USAC's long-standing practice and to preserve privacy.
- (9) **a6** – Personnel Matter. USAC management recommends this item be discussed in *Executive Session* in accordance with the approved criteria and procedures for conducting USAC Board and Committee business *in Executive Session* and because it involves an internal confidential personnel matter. This matter is also subject to *attorney/client privilege*.
- (10) **a7** – Approval of Revised Executive Compensation Committee Charter. USAC management recommends this item be discussed in *Executive Session* in accordance with the approved criteria and procedures for conducting USAC Board and Committee business *in Executive Session* and because it involves an internal

confidential personnel matter. This matter is also subject to *attorney/client privilege*.

- (11) **i7** – Update on CEO Search. USAC management recommends that this item be discussed in *Executive Session* because it includes personnel matters and therefore should occur in *Executive Session* consistent with USAC’s long-standing practice and to preserve privacy.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors hereby approves the Board meeting minutes of April 25, 2017, May 3, 2017, June 20, 2017, and June 26, 2017 and discussion in *Executive Session* of the items noted above.

- a2. Reports from Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Investment Committee, Rural Health Care Committee, and Schools & Libraries Committee.** The committee chairs reported on matters discussed and actions taken by their respective committees since the April 2017 quarterly meetings. Mr. Gillan reported for the Audit Committee; Mr. Lubin reported for the Executive Committee, Executive Compensation Committee and the High Cost & Low Income Committee; Mr. Salvator reported for the Investment Committee; Dr. Wibberly reported for the Rural Health Care Committee; and Dr. Domenech reported for the Schools and Libraries Committee.
- a3. Approval of 4th Quarter 2017 USAC Common and Consolidated Budgets.** Mr. Salvator presented this time for consideration.

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

**RESOLVED**, that the USAC Board of Directors approves a 4th Quarter 2017 USAC common operating budget of \$23.37 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 4th Quarter 2017 USAC common capital budget of \$0.94 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 4th Quarter 2017 USAC consolidated operating budget of \$50.25 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 4th Quarter 2017 USAC consolidated capital budget of \$4.07 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$17.05 million for USAC common costs in the required August 2, 2017 filing to the FCC on behalf of the Board of Directors.

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$43.22 million for USAC consolidated costs in the required August 2, 2017 filing to the FCC on behalf of the Board of Directors.

**ii. Business Update.**

- A. Discussion of Corporate Initiatives and Operational Update.** Ms. Robinson, Mr. Sweeney, and Mr. Shah provided the Board with an overall organizational update, building upon information shared internally, including an organizational update on the new Information Technology (IT), User Experience, and User Support teams, as well as an update on enterprise priorities. Key highlights included the restructuring of the previous Stakeholder Engagement function and IT division, the transfer of payroll processing to Finance, the reframing of the Strategy Division as the Enterprise Portfolio Management Division, and the renaming of Human Capital to Human Resources. Additional information was provided regarding enterprise-wide initiatives and key shifts in enterprise-wide priorities.
- B. Exhibits.** These reports were provided for informational purposes only. No discussion was held.
- Cash and Accrual Activities.
  - Universal Service Fund (USF) Cash Reserve.
  - Accounts Receivable Balance.
  - Audit Recovery Status Report.

At 9:31 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

**EXECUTIVE SESSION**

**ii. Business Update (continued).**

- A. Attachment A - Organizational Snapshot.** Mr. Shah presented this item for discussion, summarizing USAC's focus areas, financial performance, human capital metrics, and risks.

The Board recessed at 10:23 a.m. Eastern Time and reconvened in *Executive Session* at 10:32 a.m. Eastern Time.

**a4. Procurements.**

**A. Consideration of Contract Award for the Open Data One Year**

**Extension.** Mr. Shah presented this item for consideration noting that the Memorandum of Understanding (MOU) between the Federal Communications Commission (FCC) and USAC, as well as recent FCC orders, require USAC to make all non-confidential information (i.e., information that is not classified as Personally Identifiable Information) available publically in a timely matter and in format easily accessible for viewing and downloading. USAC launched its Open Data initiative with a six-week long pilot project, which began in April 2017. The mid-June successful completion of this pilot project confirmed that to fully meet the FCC's open data requirements in 2017, neither in-house custom development nor a fully open-sourced solution would be feasible from total cost of ownership and implementation timeline perspectives.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to Carahsoft Technology Corporation for the firm-fixed price of \$239,485, plus applicable sales taxes. This brings the total contract value of the award for Socrata-brand services to a total of \$254,485, plus applicable sales taxes, subject to FCC approval.

**B. Consideration of Contract Award for Storage Array Replacement.** Mr. Hutchinson presented this item for consideration, noting that that a single replacement array will be less costly than continuing to maintain the current Storage Area Network (SAN) environment.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to Clearpath Solutions Group, LLC for the firm-fixed price of \$370,912, plus applicable sales taxes.

**C. Consideration of Funding Approval for Cash-to-Treasury Staff**

**Augmentation.** Mr. Salvator presented this item for consideration, noting that while the Cash-to-Treasury project team is being sourced using internal USAC resources, he anticipated some staff augmentation required to complete the project.

On a motion duly made and seconded and after discussion, the Board adopted the

following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to procure staff support for a not-to-exceed amount of \$489,600, plus applicable taxes, to support the transfer of Universal Service Fund (USF) funds to the U.S. Treasury.

**a5. Consideration of the Revised 2017 Annual USAC Common and Consolidated Budgets.** Mr. Salvator presented this item for consideration.

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

**RESOLVED**, that the USAC Board of Directors approves a revised 2017 annual common operating budget of \$89.88 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 2017 annual consolidated operating budget of \$194.01 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 2017 annual common capital budget of \$9.35 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 2017 annual consolidated capital budget of \$26.33 million.

**i2. Acceptance of USAC's 2016 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott presented this item for discussion, noting that USAC's 2016 Annual Financial Audit received a clean opinion with one finding on the Agreed-Upon Procedures Review.

**i3. Procurements Reports.** Mr. Salvator provided a status update on major USAC procurements and a copy of the 2nd Quarter USAC Procurement Report. Mr. Fischer, Manager of Finance, delivered a "lessons learned" presentation to inform our procurement and vendor management activities.

**i4. Quarterly Report on USF Contribution Matters.** Mr. Theobald, Director of Financial Operations, provided an update on USF contribution matters. This presentation included a contributor scorecard, metrics regarding successful filers, and a summary of key 2017 activities.

**i5. Information on 14 USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** Ms. Carpenter, Director of Internal Audit, presented this item to the Board for discussion.

At 11:58 a.m. Eastern Time, the Board continued in *Executive Session* with only members of the elected Board present.

- i6. Executive Session with Board Only.** Dr. Talbott introduced this item for discussion and consideration. During discussion, members of the elected Board, on a motion duly made and seconded, adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors directs that USAC's Acting Chief Executive Officer be compensated, effective as of May 1, 2017 and throughout the period during which she serves as Acting Chief Executive Officer, at her current base pay plus \$1,400 per month but not to exceed the amount of basic pay in effect for Level I of the Executive Schedule under 5 U.S.C. 5312.

At 1:30 p.m. Eastern Time, Ms. Robinson rejoined the Board for discussion of the following items.

- a6. Personnel Matter.** Ms. Robinson presented this item for consideration.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed and considered the proposed options to address the potential contractual dispute that USAC management recommends, hereby approves that USAC continues to seek Commission approval to enter into a negotiated resolution and reach a monetary settlement to resolve the pending claims asserted by two former employees.

- a7. Approval of Revised Executive Compensation Committee Charter.** Ms. Robinson presented this item for consideration.

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

**RESOLVED**, that the USAC Board of Directors, having reviewed the proposed revisions to the Executive Compensation Committee Charter, hereby approves the revised Executive Compensation Committee Charter; and

**RESOLVED FURTHER**, that the USAC Board of Directors, having reviewed the severance policy proposed by the Executive Compensation Committee, with authorization to make necessary adjustments reflecting any subsequent FCC guidance, approves the adoption of the severance policy.

**i7. Update on CEO Search.** Ms. Robinson presented this item for discussion.

At 1:54 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Talbott reported that in *Executive Session*, the Board took action on items a4, a5, a6, and a7, and discussed items i1, i2, i3, i4, i5, i6 and i7. On a motion duly made and seconded, the Board adjourned at 1:55 p.m. Eastern Time.

/s/ Vickie Robinson  
Assistant Secretary

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

**BOARD OF DIRECTORS MEETING**  
**Thursday, September 28, 2017**

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

A meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Thursday, September 28, 2017. Dr. Brian Talbott, Board Chair, called the meeting to order at 3:01 p.m. Eastern Time, with a quorum of 14 of the 19 Board members present:

Brisé, Ronald – Treasurer – *by telephone*

Buzacott, Alan – *by telephone*

Domenech, Dr. Dan – *by telephone*

Fontana, Brent – *by telephone*

Gerst, Matthew – *by telephone*

Gillan, Joe – *by telephone*

Jacobs, Ellis – Secretary – *by telephone*

Kinser, Cynthia – *by telephone*

Lubin, Joel – Vice Chair – *by telephone*

Mason, Ken – *by telephone*

Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary

Talbott, Dr. Brian – Chair – *by telephone*

Wein, Olivia – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Mr. Atilla Tinic joined the meeting at 3:07 p.m. He voted on item a1 and participated in the discussion of item i1.

Members of the Board not present:

Bocher, Bob

Choroser, Beth

Feiss, Geoff

Hernandez, Dr. Mike

Officers of the corporation present:

Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer

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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>
Beckford, Ernesto	USAC
King, Lauren	USAC
Nuzzo, Patsy	USAC

**OPEN SESSION**

- a1. **Consideration of Contract Extensions for USAC Employee Benefit Programs.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Ms. Robinson recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract administration*.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors hereby approves the Committee discussing this item in *Executive Session*.

- ii. **Office of General Counsel’s Report on Personnel and Pending Litigation Matters.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Ms. Robinson recommended that discussion of this item occur in *Executive Session* because it involves *internal personnel matters, attorney/client privileged communications, and procurement strategy and contract administration*.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors hereby approves the Committee discussing this item in *Executive Session*.

At 3:04 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

**EXECUTIVE SESSION**

- a1. **Consideration of Contract Extensions for USAC Employee Benefit Programs.** Mr. Salvator presented this item to the Board for consideration. Ms. Robinson noted that the employee survey results validated the importance of USAC benefits as a very important part of the Employee Value Proposition.

On a motion duly made and seconded and after discussion, the Board adopted the

following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC to exercise the second and final one-year option of its contract with CIGNA at a cost not-to-exceed \$9,058,238 for employee medical benefits and with Guardian for dental and vision benefits, and life and disability benefits, at a not-to-exceed cost of \$1,065,597, based on a headcount of 536. The total estimated costs for both renewals is \$10,123,835.

At 3:20 p.m. Eastern Time, the Board continued in *Executive Session* with only members of the Board and Mr. Ernesto Beckford present.

**i1. Office of General Counsel's Report on Personnel and Pending Litigation Matters.** Mr. Beckford, Senior Director and Deputy General Counsel, presented this item for discussion.

At 4:26 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Dr. Talbott reported that in *Executive Session*, the Board took action on item a1 and discussed item i1. On a motion duly made and seconded, the Board adjourned at 4:27 p.m. Eastern Time.

/s/ Vickie Robinson  
Assistant Secretary

## Universal Service Administrative Company Board of Directors Meeting

### ACTION ITEM

#### **Appointment of a Nominating Committee and Direction to Committees for the Nomination of Committee Chairs and Vice Chairs**

##### **Action Requested**

The USAC Board of Directors (Board) is requested to appoint a Nominating Committee (Committee) consisting of members of the Board for the purpose of soliciting nominations and recommending to the Board a slate of candidates for each of USAC's corporate officer positions, assisting the Audit, High Cost & Low Income (HCLI), Rural Health Care (RHC), and Schools & Libraries (SL) committees in identifying Board members to serve as committee chair and vice chair for each committee, and assisting committees in filling at-large seats.

##### **Function of the Nominating Committee**

USAC's By-laws require an annual election of officers to be held at the first quarterly meeting of the Board of Directors in any given year. The Nominating Committee of the USAC Board of Directors is appointed at the October Board meeting in anticipation of the January elections and appointments. At times, the Nominating Committee is appointed and called upon to meet off-cycle, as needed, to ensure key positions are filled.

At the October 25, 2016 meeting, the Board adopted a Nominating Committee Charter (Charter) to memorialize the Board's ongoing practice of appointing a Nominating Committee to assume certain responsibilities associated with the annual elections. As prescribed in the Charter, members of the Nominating Committee, including a Nominating Committee Chair, are appointed annually by the Chair of the Board and each member shall hold office until their resignations, removal by the Board, or until their successors are duly appointed by the Chair of the Board.<sup>1</sup> The Board appoints a Nominating Committee to assume the responsibility of: (i) soliciting nominations and recommending to the Board a slate of candidates for each of USAC's corporate officer positions (i.e., Board Chair, Vice Chair, Treasurer, Secretary, Assistant Treasurer, and Assistant Secretary); (ii) assisting the Audit, HCLI, RHC, and SL committees in identifying Board members to serve as committee chair and vice chair for each committee; and (iii) assisting committees in filling at-large seats.<sup>2</sup>

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<sup>1</sup> See Universal Service Administrative Company Nominating Committee Charter, Section B (October 2016) (Nominating Committee Charter).

<sup>2</sup> See Nominating Committee Charter, Section A.

### **Establishment of a Nominating Committee and Selection of Officers**

The USAC Board Chair recommends that the Board appoint \_\_\_\_\_ as Nominating Committee Chair and \_\_\_\_\_ and \_\_\_\_\_ as members of the Nominating Committee.

New officer terms will begin when elected, which is presently planned to occur at the January 30, 2018 Board meeting. The current officers of the Corporation are as follows:

<b>Officer Position</b>	<b>Incumbent</b>
Chair	Dr. Brian Talbott
Vice Chair	Joel Lubin
Secretary	Ellis Jacobs
Treasurer	Ronald Brisé
Chief Executive Officer (Acting) <sup>3</sup>	Vickie Robinson
Chief Operating Officer <sup>4</sup>	Mark Sweeney
Assistant Secretary	Vickie Robinson, Acting CEO and General Counsel
Assistant Treasurer	Charles Salvator, Vice President of Finance and Chief Financial Officer
USAC Staff <sup>5</sup>	<ul style="list-style-type: none"> <li>• Craig Davis – VP of Schools and Libraries</li> <li>• Michelle Garber – VP of Lifeline</li> <li>• Karen Lee – VP of Rural Health Care</li> <li>• Victor Gaither – VP of High Cost</li> <li>• Wayne Scott – VP of Internal Audit</li> <li>• Mark Sweeney – Chief Operating Officer</li> </ul>

### **Appointment of Board Members to Committees**

USAC management notified the Wireline Competition Bureau and the Office of Managing Director on August 11, 2017 of the terms of six Board members expiring on December 31, 2017. On September 13, 2017, the Federal Communications Commission

<sup>3</sup> The Chief Executive Officer (CEO) is elected to a term coincident with the term of the CEO's employment and is not elected annually.

<sup>4</sup> The Chief Operating Officer (COO) is appointed an officer coincident with the term of the COO's employment and is not elected annually.

<sup>5</sup> The Board determined that each vice president and the Chief Operating Officer shall be designated an officer of the corporation immediately upon his or her assumption of the duties of the position and shall serve as such until his or her employment in such position with USAC terminates for any reason or is removed by the Board or the CEO from such position; therefore, these positions are not elected annually. However, the positions of Assistant Secretary and Assistant Treasurer are elected annually.

(FCC) issued a Public Notice (PN) seeking nominations for the seats held by these Board members. The directors whose terms expire on December 31, 2017 and their current committee memberships and officer positions (if any) are as follows:

<b>Director</b>	<b>Representing</b>	<b>Committee Assignments / Officer Position</b>
Geoffrey A. Feiss	Incumbent local exchange carriers (non-Bell Operating Companies) with \$40 million or less in annual revenues	Audit (Vice Chair, At-large member); HCLI (Rural ILEC representative)
Joseph Gillan	Competitive local exchange carriers	Audit (Chair, HCLI representative), Executive (Audit Chair), HCLI (CLEC representative)
Ellis Jacobs	Low-income consumers	Executive (Board Secretary); HCLI (Low Income representative)
Dr. Brian L. Talbott	Schools that are eligible to receive discounts pursuant to § 54.501	Audit (SL representative); Executive (Board Chair); SL (Schools representative)
Atilla Tinic	Interexchange carriers with annual operating revenues of \$3 billion or less.	HCLI (IXC representative); RHC (Service Provider representative)
Dr. Katharine Wiberly	Rural health care providers that are eligible to receive supported services pursuant to § 54.601	Audit (RHC representative); Executive (RHC Chair); RHC (Chair & HCP representative)

### **Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Board of Directors establishes a Nominating Committee and directs the Committee to recommend to the USAC Board of Directors at its January 30, 2018 meeting nominations for the elected USAC officer positions; and

**RESOLVED FURTHER**, that the USAC Board of Directors appoints \_\_\_\_\_ as Nominating Committee chair and \_\_\_\_\_ and \_\_\_\_\_ as members of the Nominating Committee; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs each committee of the Board to bring to the Board at the January 30, 2018 meeting nominations for a chair and vice chair of each respective committee.

**Universal Service Administrative Company  
Board of Directors Meeting**

**ACTION ITEM**

**Approval of 1st Quarter 2018 USAC Common and Consolidated Budgets and  
Quarterly Budget and Demand Projections**

**Action Requested**

The USAC Board of Directors (Board) is requested to approve the 1st Quarter 2018 (1Q2018) common and consolidated operating and capital budgets for USAC.

**Discussion**

Section 54.709(a)(3) of the Commission's rules requires USAC to submit its projected quarterly budget to the FCC at least 60 days prior to the start of the quarter.<sup>1</sup> USAC includes any costs that can be directly attributed to the High Cost (HC), Low Income/Lifeline (LI), Rural Health Care (RHC) and Schools and Libraries (SL) Support Mechanisms in the projected administrative and capital expenses of each mechanism. USAC's remaining common costs, including costs associated with the billing, collection and disbursement of funds, are included in the projected administrative and capital expenses of the respective support mechanisms based on the methodology for allocating costs on file with the Commission.<sup>2</sup>

1Q2018 Common and Consolidated Operating Budgets

1Q2018 Common Operating Budget

The common budget includes costs not directly attributed to a single support mechanism such as common information systems support, Universal Service Fund (USF) billing, collection and disbursement activities, facilities and office expenses, Chief Executive Officer/Chief Operating Officer compensation, and Board expenses. The common budget includes funding for the contributor compliance audit portion of the Beneficiary and Contributor Audit Program (BCAP) and associated project management costs, outside counsel expenses, ongoing internal controls documentation and remediation efforts and information technology (IT) vendor costs.

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<sup>1</sup> 47 C.F.R. § 54.709(a)(3).

<sup>2</sup> See Letter from D. Scott Barash to Marlene Dortch regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket No. 97-21 et al. (Oct. 3, 2005); *superseding* Letter from Robert Haga to Magalie Salas regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket No. 96-45 (Jan. 28, 2000); Letter from Robert Haga to Magalie Salas regarding Revisions to the Method for Allocating Costs Among the Four Universal Service Support Mechanisms, CC Docket No. 96-45 (Apr. 1, 1999).

The Board is requested to approve \$25.43 million for common operating costs in 1Q2018. The 1Q2018 common operating budget includes:

- \$12.99 million for compensation and benefits for 353 full time equivalents (FTEs).
- \$4.06 million for professional fees (including contract labor).
- \$3.97 million for telephone and computer support.
- \$1.86 million for rent.
- \$0.85 million for BCAP contributor audits, USAC's annual financial audit, and Agreed-upon Procedures (AUP) review.
- \$0.44 million for insurance and taxes.
- \$0.41 million for employee training, education and recruitment costs and miscellaneous expenses.
- \$0.34 million for bank fees.
- \$0.21 million for legal professional fees.
- \$0.20 million for non-capitalized hardware purchases and rental equipment.
- \$0.10 million for travel and outreach activities.

**Attachment A** provides further details and compares the 1Q2018 common budget to the 1st Quarter 2017 (1Q2017) actual expenditures.

The 1Q2018 common budget also includes 76 percent of the costs associated with the FCC Form 499 data collection agent (DCA) function. The remaining 24 percent of DCA costs are billed to other FCC program administrators.

#### 1Q2018 Consolidated Operating Budget

On October 23, 2017, the High Cost & Low Income, Rural Health Care and Schools & Libraries Committees (Committees) approved their 1Q2018 direct operating cost budgets totaling \$31.25 million. Approval of the proposed 1Q2018 common operating budget will result in a 1Q2018 consolidated operating budget of \$56.68 million. Common costs approved above will be allocated to each support mechanism based on the current allocation methodology on file with the Commission.

Following is a summary of 1Q2018 budgeted direct operating and allocated common operating costs, by support mechanism:

**1st Quarter 2018 Operating Expenses  
(in millions)**

<b>USF Mechanism</b>	<b>Direct Operating</b>	<b>USAC Common Operating</b>	<b>Total</b>
<b>High Cost</b>	\$2.92	\$8.67	\$11.59
<b>Low Income</b>	\$8.39	\$4.71	\$13.10
<b>Rural Health Care</b>	\$1.93	\$1.29	\$3.22
<b>Schools &amp; Libraries</b>	\$18.01	\$10.76	\$28.77
<b>Total</b>	<b>\$31.25</b>	<b>\$25.43</b>	<b>\$56.68</b>

**Attachment A** provides further details and compares the 1Q2018 consolidated budget to the 1st Quarter 2017 (1Q2017) actuals.

1Q2018 Capital Budgets

1Q2018 Common Capital Budget

The Board is requested to approve \$2.56 million for non-program specific capital expenditures in 1Q2018. These funds will be used primarily for hardware and equipment replacement and upgrades, development of an enterprise invoice system, enterprise software development, and shared testing and project management of capital software development projects.

1Q2018 Consolidated Capital Budget

On October 23, 2017, the Committees approved their respective 1Q2018 direct capital budgets totaling \$1.63 million. Approval of the 1Q2018 common capital budget above will result in a 1Q2018 consolidated capital budget of \$4.19 million. Following is a summary of 1Q2018 budgeted direct capital and common capital costs by support mechanism:

**1st Quarter 2018 Capital Expenses  
(in millions)**

<b>USF Mechanism</b>	<b>Direct Capital</b>	<b>USAC Common Capital</b>	<b>Total</b>
High Cost	\$0.08	\$0.88	\$0.96
Low Income	\$1.34	\$0.47	\$1.81

Rural Health Care	\$0	\$0.13	\$0.13
Schools & Libraries	\$0.21	\$1.08	\$1.29
<b>Total</b>	<b>\$1.63</b>	<b>\$2.56</b>	<b>\$4.19</b>

Details on the components of 1Q2018 common and consolidated capital costs are included in **Attachment A**.

A summary of the portions of the 1Q2018 consolidated operating and capital budgets that were approved by the various committees are included in **Attachment B**.

**Attachment C** provides a comparison of the budget to actual expenditures for the nine months ending September 30, 2017. Explanations are provided for significant variances.

#### Management Recommendation

USAC management recommends the Board approve the budget and collection requirement as proposed.

#### **APPROVAL OF THE FOLLOWING RESOLUTIONS:**

**RESOLVED**, that the USAC Board of Directors approves a 1st Quarter 2018 USAC common operating budget of \$25.43 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 1st Quarter 2018 USAC common capital budget of \$2.56 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 1st Quarter 2018 USAC consolidated operating budget of \$56.68 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 1st Quarter 2018 USAC consolidated capital budget of \$4.19 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$27.99 million for USAC common costs in the required November 2, 2017 filing to the FCC on behalf of the Board of Directors.

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$60.87 million for USAC consolidated costs in the required November 2, 2017 filing to the FCC on behalf of the Board of Directors.

USAC Consolidated Budget

1Q2018 Budget

(in thousands)

ACTION Item #aBOD04

Attachment A

10/24/17

1 of 3

Expense Category	1Q2018 Budget	1Q2017 Actual	Increase/ (Decrease)	1Q2018 Explanations
Compensation & Benefits	\$ 19,530.08	\$ 17,696.50	\$ 1,833.59	536 total FTEs in Q1 2018, compared to average 485 FTEs in Q1 2017
Solix Costs	9,815.00	9,375.00	440.00	Increased cost due to transition to new call center vendor
External BCAP Costs	2,242.79	2,741.40	(498.61)	Decrease in cost due to co-sourcing
Professional Fees	15,651.66	8,922.91	6,728.76	Increase for NV BPO vendor and operations and maintenance (O&M), EPC O&M
Rent	1,856.62	1,741.59	115.03	Additional space at OMC offset by lower costs for colocation facilities
Telephone & Computer Support	3,970.52	2,632.35	1,338.18	Higher software maintenance costs
Bank Fees	343.79	343.79	-	
Legal Professional Fees	212.50	93.51	118.99	More use of outside counsel
Financial Audit and AUP	550.00	607.96	(57.96)	
Travel, Meetings and Conferences	326.74	105.44	221.31	Increased travel for User Experience, User Support and IT teams
Non-Capitalized Hardware & Equipment Rental	200.57	282.25	(81.67)	Computer refreshes
High Cost Data Collection	82.97	82.97	-	
Insurance	100.00	76.23	23.77	Directors & Officers liability, cyber liability, workers compensation, auto/general liability, umbrella policy, crime insurance
Taxes	337.15	111.03	226.12	Federal, franchise, property, and ballpark taxes
Other Expenses	1,525.38	564.69	960.70	Increase in postage due to Lifeline BPO. Baseline funding includes printing, postage, personnel expenses, Board of Directors expense, repairs & maintenance, office supplies, subscriptions, and reference materials
499 Data Collection Billing	(65.71)	(54.90)	(10.82)	24% of FCC Form 499 Data Collection expense billed to agents
<b>Total Operating Costs</b>	<b>\$ 56,680.07</b>	<b>\$ 45,322.69</b>	<b>\$ 11,357.38</b>	
<b>Total Capital Costs</b>	<b>\$ 4,192.52</b>	<b>\$ 5,093.49</b>	<b>\$ (900.97)</b>	
<b>Total Consolidated Budget</b>	<b>\$ 60,872.59</b>	<b>\$ 50,416.18</b>	<b>\$ 10,456.41</b>	

USAC Common Budget

1Q2018 Budget

(in thousands)

<b>Expense Category</b>	<b>1Q2018 Budget</b>	<b>1Q2017 Actual</b>	<b>Increase/ (Decrease)</b>	<b>1Q2017 Explanations</b>
Compensation & Benefits	\$ 12,988.70	\$ 12,364.14	\$ 624.56	353 FTEs in Q1 2018, compared to average of 333 FTEs in Q1 2017
External BCAP Costs	294.77	998.30	(703.54)	No outsourced contributor audits in 2018 and fewer co-sourced auditors
Professional Fees	4,059.66	4,302.24	(242.59)	Increase in User Experience professional fees and IT professional fees related to enterprise software; offset by lower IT contract labor
Rent	1,856.62	1,741.59	115.03	Additional space at OMC offset by lower costs for colocation facilities
Telephone & Computer Support	3,970.52	2,200.48	1,770.05	Higher software maintenance costs
Bank Fees	343.79	343.79	-	
Legal Professional Fees	212.50	93.51	118.99	More use of outside counsel
Financial Audit and AUP	550.00	607.96	(57.96)	
Non-Capitalized Hardware & Equipment	200.57	282.25	(81.67)	Computer refreshes
Travel, Meetings and Conferences	101.80	40.45	61.35	Increased travel for User Experience, User Support and IT teams
Insurance	100.00	76.23	23.77	Directors & Officers liability, cyber liability, workers compensation, auto/general liability, umbrella policy, crime insurance
Taxes	337.15	111.03	226.12	Federal, franchise, property, and ballpark taxes
Other Expenses	479.54	504.27	(24.73)	Baseline funding includes training, recruitment, printing, postage, Board of Directors expense, repairs & maintenance, office supplies, subscriptions, and reference materials.
499 Data Collection Billing	(65.71)	(54.90)	(10.82)	24% of FCC Form 499 Data Collection expense billed to agents
<b>Total Non-Programmatic Operating Costs</b>	<b>\$ 25,429.90</b>	<b>\$ 23,611.33</b>	<b>\$ 1,818.58</b>	
<b>Total Non-Programmatic Capital Costs</b>	<b>\$ 2,559.81</b>	<b>\$ 1,031.99</b>	<b>\$ 1,527.82</b>	
<b>Total Non-Programmatic Operating and Capital Costs</b>	<b>\$ 27,989.71</b>	<b>\$ 24,643.32</b>	<b>\$ 3,346.39</b>	

**USAC Capital Budget**

1Q2018 Budget

(in thousands)

<b>Expense Category</b>	<b>1Q2018 Budget</b>	<b>1Q2017 Actual</b>	<b>Increase/ (Decrease)</b>	<b>1Q2017 Explanations</b>
<b>Direct Capital Spending</b>				
Schools & Libraries EPC development	\$ 210.50	\$ 4,027.50	\$ (3,817.00)	Development of deobligation process for EPC system
Lifeline National Verifier development	1,340.34	-	1,340.34	Development of the National Verifier
High Cost software development	81.87	34.00	47.87	Enhancements to Connect America Portal (CAP) system
<b>Total Direct Capital Costs</b>	<b>\$ 1,632.72</b>	<b>\$ 4,061.50</b>	<b>\$ (2,428.79)</b>	
<b>Non-Programmatic Capital Spending</b>				
Enterprise invoice system development	\$ 500.00	\$ -	\$ 500.00	Development of invoice system, including replacement of legacy SLD invoice system
IT Systems Operations	1,395.00	1,011.18	383.82	Hardware and equipment refresh
IT software development	664.81	-	664.81	Corporate software development and shared IT testing and project management resources
OMC office move & expansion	-	20.81	(20.81)	
<b>Total Non-Programmatic Capital Spending</b>	<b>\$ 2,559.81</b>	<b>\$ 1,031.99</b>	<b>\$ 1,527.82</b>	
<b>Total Collection Requirement for Capital Spending</b>	<b>\$ 4,192.52</b>	<b>\$ 5,093.49</b>	<b>\$ (900.97)</b>	

### 1Q2018 Budget

On Monday, October 23, 2017, the Programmatic Committees were asked to approve direct program operating and capital budgets totaling \$32.8 million (\$31.25 million for operating/\$1.63 million for capital).

On Tuesday, October 24, 2017, the full Board of Directors will be asked to approve a Common Operating budget of \$27.99 million (\$25.43 million operating/\$2.56 million capital) and the resulting Consolidated Budget of \$60.87 million (\$56.68 million for operating/\$4.19 million for capital).

USF Mechanism	Direct Operating	Direct Capital	Total Direct Programmatic Budgets	USAC Common Operating	USAC Common Capital	Total Common	Total Consolidated
<b>High Cost</b>	\$2.92	\$0.08	\$3.00	\$8.67	\$0.88	\$9.55	\$12.55
<b>Low Income</b>	8.39	1.34	9.73	4.71	0.47	5.18	14.91
<b>Rural Health Care</b>	1.93	0.00	1.93	1.29	0.13	1.42	3.35
<b>Schools &amp; Libraries</b>	18.01	0.21	18.22	10.76	1.08	11.84	30.06
<b>Total</b>	<b>\$31.25</b>	<b>\$1.63</b>	<b>32.88</b>	<b>\$25.43</b>	<b>\$2.56</b>	<b>\$27.99</b>	<b>\$60.87</b>

**USAC Consolidated**

For the Nine Months Ending September 30, 2017

(in thousands)

<b>Operating Expenses</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>%</b>	<b>Explanation of Variance</b>
Compensation & Benefits	\$ 51,661.75	\$ 54,752.19	\$ 3,090.44	6%	
Solix Costs	28,125.00	28,333.34	208.34	1%	
External BCAP Costs	5,966.12	6,969.89	1,003.77	14%	Lower spending on external audits
Rent	5,447.89	5,459.80	11.91	0%	
Professional Fees & Contract Labor	27,620.39	30,533.07	2,912.68	10%	Lower spending on E-rate Productivity Center operations and maintenance (O&M) due to shift in resources to post-commitment development
Financial Audit and AUP	851.21	851.21	-	0%	
Telephone & Computer Support	9,626.58	9,169.26	(457.32)	-5%	Higher spending for software maintenance agreements
Bank Fees	1,031.36	1,031.36	-	0%	
Legal Professional Fees	347.60	522.13	174.53	33%	Lower spending for outside counsel
Travel, Meetings and Conferences	559.53	735.81	176.28	24%	Lower spending on user experience and support travel for all programs
Non-Capitalized Hardware & Equipment Rent	777.55	330.33	(447.22)	-135%	More hardware purchases than budgeted
High Cost Data Collection	284.05	271.70	(12.35)	-5%	
Taxes	2,461.96	2,477.75	15.79	1%	
Insurance	262.92	245.77	(17.15)	-7%	
Other Expenses	1,811.10	2,237.97	426.87	19%	Lower than anticipated spending on training, postage, printing, and graphics
499 Data Collection Billing	(169.93)	(162.98)	6.95	-4%	
<b>Total Operating Expenses</b>	<b>\$ 136,665.08</b>	<b>\$ 143,758.60</b>	<b>\$ 7,093.52</b>	<b>5%</b>	

**USAC Common**

For the Nine Months Ending September 30, 2017

(in thousands)

<b>Operating Expenses</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>%</b>	<b>Explanation of Variance</b>
Compensation & Benefits	\$ 34,498.90	\$ 35,641.23	\$ 1,142.33	3%	
External BCAP Costs	1,532.65	1,732.65	200.00	12%	Lower spending for contributor audits
Professional Fees & Contract Labor	8,267.02	9,011.94	744.92	8%	
Rent	5,447.89	5,459.80	11.91	0%	
Telephone & Computer Support	7,690.32	7,518.75	(171.57)	-2%	Higher spending for software maintenance agreements
Bank Fees	1,031.36	1,031.36	-	0%	
Legal Professional Fees	275.25	522.13	246.88	47%	Lower spending for outside counsel
Financial Audit and AUP	851.21	851.21	-	0%	
Travel, Meetings and Conferences	240.03	261.70	21.67	8%	
Non-Capitalized Hardware & Equipment Rental	777.55	330.33	(447.22)	-135%	More hardware purchases than budgeted
Taxes	2,461.96	2,477.75	15.79	1%	
Insurance	262.92	245.77	(17.15)	-7%	
Other Expenses	1,429.21	1,580.11	150.90	10%	Less training year to date
499 Data Collection Billing	(169.93)	(162.98)	6.95	-4%	
<b>Total Operating Expenses</b>	<b>\$ 64,596.34</b>	<b>\$ 66,501.75</b>	<b>\$ 1,905.41</b>	<b>3%</b>	

**Universal Service Administrative Company  
Board of Directors Meeting**

**INFORMATION ITEM**

**Business Update**

**Information Presented**

This item provides the USAC Board of Directors (Board) with an organizational update on the common services model and updates on other corporate initiatives and operational activities. This item also provides updates on Investment Committee meetings, cash and receivables management, accounts receivable, and audit recovery activities. Finance Exhibits are included for informational purposes.

**Discussion**

**General Business Update**

Discussion of Organizational Update on the Common Services Model – Provided in **Attachment A**.

Tour of Expanded Office Space – Provided in **Attachment B**.

Exhibits – Provided in **Attachments C-1 through C-5** (informational only).

**Investment Committee Meetings**

Investment Committee meetings are held semi-annually. Draft minutes for the meeting of July 24, 2017 are provided in **Attachment C-1**. The next Investment Committee meeting will be held in November, 2017.

**Prior Period Adjustments**

Sixty days prior to the start of each quarter, USAC provides projected support mechanism demand and administrative expense data to the Federal Communications Commission (FCC). Thirty days prior to the start of the quarter, USAC submits projected Universal Service contributor revenue data to the FCC. The FCC uses these projections to establish the Universal Service contribution factor for the upcoming quarter and USAC uses the resulting contribution factor to invoice Universal Service contributors once the quarter begins.

USAC management makes every effort to ensure that support mechanism demand and contributor revenue projections are as accurate as possible, but variations can be significant, depending on factors outside of USAC's control. Between the submission of projected support mechanism demand and the projected revenue base filing to the FCC

and the start of the quarter, new data submitted to USAC may result in higher or lower billings and/or higher or lower disbursements. These variances result in what USAC refers to and reports as “prior period adjustments.” Prior period adjustments reconcile projections to actual results, and include adjustments for billings, disbursements, interest income, bad debt and administrative expenses.

A prior period adjustment for 3rd Quarter 2017 (3Q2017) will be recorded in the 1st Quarter 2018 (1Q2018) fund size projection and is summarized in the following chart:

	3Q2017 Filed Projection	Actual	Variance From Filed Projection*	Variance as a % of Filed Projection
	(in millions)			
<b>LI Disbursements</b>	\$330.35	\$314.24	(\$16.11)	(4.9%)
<b>Billings</b>	\$1,896.11	\$1,784.91	\$111.20	5.9%
<b>Interest Income</b>	\$15.40	\$17.15	(\$1.75)	(11.4%)
<b>Bad Debt Expense</b>	\$19.18	(\$1.53)	\$ (20.71)	108.0%
<b>2016 Annual Admin Expense</b>		\$7.46	\$7.46	N/A
<b>Total USF PPA</b>			<b>\$80.09</b>	

\*Results that increase the 1Q2018 collection requirement are shown as a positive variance, and results that decrease the 1Q2018 collection requirement are shown as a negative variance.

### Cash Balances by Program

As of September 30, 2017, the Universal Service Fund (USF) balance at Bank of America was \$6,983.01 million.

USF cash and accrual activities for the quarter and year to date are provided in **Attachment C-2**. Additional information about cash balances by program, including funds reserved pursuant to the *USF/ICC Transformation Order*,<sup>1</sup> are included in **Attachment C-3**.

### Accounts Receivable

**Attachment C-4** provides an analysis of the accounts receivable (A/R) balance as of August 31, 2017.

<sup>1</sup> *Connect America Fund et al.*, WC Docket No. 10-92 et al., GN Docket No. 09-51, CC Docket No. 01-92 et al., WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*).

*Audit Recovery Activity*

**Attachment C-5** provides an update on audit recovery activities.

# USAC Board of Directors Meeting

## Common Services Model

### iBOD01A Attachment A

October 24, 2017



Universal Service  
Administrative Co.

## Common Services – 3 types

1. Alignment of Processes: Consistent basic process across activities with some exceptions for specified and documented needs
2. Common Platform/Systems: Reuse of the same platform or application to support the needs of multiple services with minor adaptations
3. Shared Resources: Focused group with performance SLA's delivering a service to clients

# Common services

2018 common services	User support/Call Centers	Calculations	Disbursement/ Payment	Invoice Management	Application review	Reporting/Analytics	Data Collection
<b>Alignment of Process</b>	✓			✓	✓	✓	✓
<b>Common Systems</b>		✓	✓	✓	✓		✓
<b>Sourced Resources</b>	✓					✓	



Indicates projects which could be accomplished in 2018



Indicates projects which could be begun/investigated in 2018

## Potential Pro's

- Refocus development teams into business performance enhancement
- IT/Business partnerships developed
- Lower costs, lower risks – build it once, adopt it everywhere
- Scale, flexibility and prioritization
- Employee experience
- Consistent, predictable interfaces & outcomes
- Workload management flexibility
- Adoption of best practices
- Aligned performance expectations
- Focus within programs on core activities

## Potential Con's

- Reliance on single source
- Stakeholder relationships
- Reduced SME institutional memory
- Employee experience
- Governance/prioritization

## Common Services – Potential impacts

1. Redesign of IT development organization into an enabler of the business
2. Growth of allocated budgets versus direct budgets
3. Budget oversight within the Board not the committees
4. Increase in matrix management, SLA's, accountability, internal vendor management
5. Reduced cost – increased flexibility
6. Consistent Stakeholder interfaces
7. Build it once and well
8. Recruitment of pan industry specialists
9. Economies of scale in internal and vendor operations



## Next steps:

1. Identify activities for 2018 plan that will support Common Services
2. Identify Programs currently underway or planned for 2018 which would lead to common Services (e.g. Invoice management is funded for legacy replacement through SLD). Continue the currently funded Customer Service consolidation program
3. Continue to restructure IT teams in Application Development and IT PMO to support the shared model
4. Identify resourcing plan for IT Enterprise Architecture and process reengineering

**Universal Service Administrative Company  
Board of Directors Meeting**

**INFORMATION ITEM**

**Tour of Expanded Office Space**

**Information Presented:**

Members of the Board of Directors will take a walking tour of the expanded office space on the tenth floor. USAC staff moving into the space reported to their new stations on Monday, October 16, 2017. To consolidate program and support divisions, some employees remaining on the ninth floor will occupy their new stations on October 23, 2017.

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

**APPROVAL OF INVESTMENT COMMITTEE ACTION**  
**TAKEN BY UNANIMOUS CONSENT**  
**(DRAFT)**

On Friday, July 21, 2017, briefing papers were circulated to the Investment Committee (Committee) considering the approval of Committee meeting minutes of September 23, 2016 and the projected funding requirements for 3rd quarter 2017 and 4th quarter 2017 as well as the suggested investment strategy for the following six months. Materials were also presented for Committee review regarding 3rd Quarter 2016 through 2nd quarter 2017 investment results.

For the period ending June 30, 2017, the Universal Service Fund (USF) had a fund balance of \$7.584 billion on an accrual basis and \$7.398 billion on a cash basis. Pursuant to Federal Communications Commission (FCC) guidelines, 100 percent of the USF's investments were held in United States Treasury securities with maturity dates not exceeding three years. As of June 30, 2017, twenty percent of USF investments were held in Treasury bills and the remaining eighty percent were held in Treasury notes.

USAC projected a cash and investment balance of \$7.121 billion on September 30, 2017 and \$6.977 billion on December 31, 2017.

USAC projected interest income of \$16 million in 3Q2017 and \$16 million in 4Q2017, based on the year-to-date daily average portfolio purchase cost, the current maturity profile of investments, and a weighted annual return for Treasury bills and Treasury notes held in the current portfolio.

Voting was conducted electronically for this matter pursuant to Article II, Section 9 of USAC's By-laws.<sup>1</sup> Responses were timely received by July 24, 2017, providing unanimous consent from all four members of the Investment Committee on the adoption of the following resolutions:

**RESOLVED**, that the USAC Investment Committee approves the minutes as written of the Investment Committee meeting minutes of September 23, 2016.

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<sup>1</sup> USAC By-laws, Article II, § 9 ("Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.").

**RESOLVED**, that the USAC Investment Committee recommends no change to the Universal Service Fund investment strategy at this time.

/s/ Vickie Robinson  
Assistant Secretary

**UNIVERSAL SERVICE FUND ACTIVITY  
2017  
FUND BALANCE - CASH BASIS**

	Schools and Libraries Support Mechanism	High Cost Support Mechanism	Low Income Support Mechanism	Rural Health Care Support Mechanism	Total
<b>Cash at 12/31/16</b>	<b>\$5,231,347,337</b>	<b>\$2,223,354,968</b>	<b>\$71,335,310</b>	<b>\$421,412,141</b>	<b>\$7,947,449,756</b>
<b>First Q 2017 Activity:</b>					
Receipts on billings	\$405,414,309	\$1,137,480,392	\$375,834,633	\$112,255,612	\$2,030,984,946
Program Disbursements	(634,817,328)	(1,144,239,299)	(334,228,068)	(43,617,248)	(2,156,901,943)
Administrative Disb.	(23,900,456)	(16,296,734)	(7,704,911)	(2,853,065)	(50,755,165)
Interest Received	11,170,050	4,584,510	160,216	774,377	16,689,152
Refunds	(329,268)	(922,103)	(297,595)	(74,778)	(1,623,744)
Misc. Receipts	0	0	0	0	0
<b>Cash at 3/31/17</b>	<b>\$4,988,884,644</b>	<b>\$2,203,961,735</b>	<b>\$105,099,585</b>	<b>\$487,897,039</b>	<b>\$7,785,843,003</b>
<b>Second Q 2017 Activity:</b>					
Receipts on billings	\$397,669,161	\$1,117,140,663	\$356,157,945	\$96,525,439	\$1,967,493,208
Program Disbursements	(748,374,390)	(1,158,489,856)	(314,944,153)	(79,230,983)	(2,301,039,382)
Administrative Disb.	(26,849,205)	(18,598,312)	(8,825,232)	(3,162,150)	(57,434,899)
Interest Received	9,647,046	4,012,990	128,196	740,250	14,528,482
Refunds	(2,108,150)	(5,922,951)	(1,876,974)	(529,707)	(10,437,783)
Misc. Receipts	0	0	0	0	0
<b>Cash at 6/30/17</b>	<b>\$4,618,869,105</b>	<b>\$2,142,104,269</b>	<b>\$135,739,366</b>	<b>\$502,239,888</b>	<b>\$7,398,952,629</b>
<b>Third Q 2017 Activity:</b>					
Receipts on billings	\$449,203,746	\$1,092,464,522	\$301,647,557	\$33,993,394	\$1,877,309,220
Program Disbursements	(685,109,152)	(1,174,230,736)	(308,769,837)	(98,681,598)	(2,266,791,323)
Administrative Disb.	(23,444,456)	(16,319,673)	(7,717,678)	(2,763,491)	(50,245,298)
Interest Received	16,610,408	6,993,058	278,104	1,400,634	25,282,204
Refunds	(389,547)	(883,972)	(224,739)	0	(1,498,257)
Misc. Receipts	0	0	0	0	0
<b>Cash at 9/30/17</b>	<b>\$4,375,740,105</b>	<b>\$2,050,127,469</b>	<b>\$120,952,774</b>	<b>\$436,188,827</b>	<b>\$6,983,009,175</b>
<b>Fourth Q 2017 Activity:</b>					
Receipts on billings	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Administrative Disb.	0	0	0	0	0
Interest Received	0	0	0	0	0
Refunds	0	0	0	0	0
Misc. Receipts	0	0	0	0	0
<b>Cash at 12/31/17</b>	<b>\$4,375,740,105</b>	<b>\$2,050,127,469</b>	<b>\$120,952,774</b>	<b>\$436,188,827</b>	<b>\$6,983,009,175</b>
<b>Year to Date 2017 Activity:</b>					
Receipts on billings	\$1,252,287,216	\$3,347,085,577	\$1,033,640,135	\$242,774,445	\$5,875,787,373
Program Disbursements	(2,068,300,870)	(3,476,959,890)	(957,942,059)	(221,529,828)	(6,724,732,647)
Administrative Disb.	(74,194,117)	(51,214,718)	(24,247,820)	(8,778,707)	(158,435,361)
Interest Received	37,427,503	15,590,558	566,516	2,915,261	56,499,838
Refunds	(2,826,965)	(7,729,026)	(2,399,308)	(604,485)	(13,559,784)
Misc. Receipts	-	-	-	-	0
<b>Cash YTD</b>	<b>\$4,375,740,105</b>	<b>\$2,050,127,469</b>	<b>\$120,952,774</b>	<b>\$436,188,827</b>	<b>\$6,983,009,175</b>

**Universal Service Administrative Company**  
**FUND BALANCE - ACCRUAL BASIS**  
2017

	SL Program	High Cost Program	Low Income Program	RHC Program	Total
<b>Fund Balance 12/31/16</b>	<b>\$5,298,705,679</b>	<b>\$2,288,285,327</b>	<b>\$120,101,965</b>	<b>\$462,180,460</b>	<b>\$8,169,273,432</b>
<b>First Q 2017 Activity:</b>					
Billings	\$407,132,950	\$1,140,092,712	\$367,985,551	\$92,347,710	\$2,007,558,923
Late Charges net of waived	230,909	999,666	201,612	45,986	1,478,172
Late Filing fee	(43,512)	(121,846)	(39,328)	(9,870)	(214,556)
Deferred Payment Plan Fees	203	1,568	7,183	46	9,000
Bad Debt expense	(1,312,740)	(3,676,060)	(1,186,515)	(297,762)	(6,473,076)
Bad Debt expense (COMAD)	(5,645,449)	(370,724)	7,296,955	0	1,280,783
Program Disbursements	(630,193,726)	(1,207,277,314)	(342,467,118)	(43,319,488)	(2,223,257,646)
Future Funded Expenses	0	40,000,000	11,000,000	0	51,000,000
Admin Expenses	(28,988,085)	(11,270,798)	(7,382,319)	(3,214,142)	(50,855,343)
Interest Income	11,015,288	4,527,884	410,137	763,763	16,717,072
<b>Fund Balance 3/31/17</b>	<b>\$5,050,901,516</b>	<b>\$2,251,190,416</b>	<b>\$155,928,123</b>	<b>\$508,496,706</b>	<b>\$7,966,516,760</b>
<b>Second Q 2017 Activity:</b>					
Billings	\$395,947,356	\$1,113,562,933	\$352,432,031	\$99,378,504	\$1,961,320,823
Late Charges net of waived	(54,686)	1,039,947	(51,491)	(13,823)	919,948
Late Filing fee	52,938	148,724	47,120	13,287	262,069
Deferred Payment Plan Fees	2,202	568	180	51	3,000
Bad Debt expense	(222,729)	(625,736)	(198,251)	(55,903)	(1,102,619)
Bad Debt expense (COMAD)	(20,601,716)	(1,201,095)	905	(1,003,582)	(22,805,489)
Program Disbursements	(725,697,936)	(1,162,599,105)	(323,885,794)	(78,183,347)	(2,290,366,182)
Future Funded Expenses	0	(494,000)	948,000	0	454,000
Admin Expenses	(24,403,728)	(12,637,247)	(9,162,077)	(2,706,566)	(48,909,618)
Interest Income	11,298,013	4,707,551	481,113	867,031	17,353,708
<b>Fund Balance 6/30/17</b>	<b>\$4,687,221,229</b>	<b>\$2,193,092,955</b>	<b>\$176,539,860</b>	<b>\$526,792,356</b>	<b>\$7,583,646,401</b>
<b>Third Q 2017 Activity:</b>					
Billings	468,378,830	1,064,010,392	270,886,058	535,134	1,803,810,414
Late Charges net of waived	(198,985)	402,179	(136,430)	(10,193)	56,571
Late Filing fee	59,235	134,418	34,174	0	227,826
Deferred Payment Plan Fees	0	0	0	0	0
Bad Debt expense	395,388	897,227	228,109	0	1,520,724
Bad Debt expense (COMAD)	(2,568,063)	(910,278)	4,150	1,003,582	(2,470,608)
Program Disbursements	(682,081,525)	(1,155,416,816)	(314,243,261)	(92,920,263)	(2,244,661,865)
Future Funded Expenses	0	1,322,000	(1,592,000)	0	(270,000)
Admin Expenses	(24,237,542)	(9,636,469)	(7,839,907)	(2,658,011)	(44,371,929)
Interest Income	11,205,472	4,723,561	276,391	944,276	17,149,700
Revenue Accrual	0	0	0	0	0
<b>Fund Balance 9/30/17</b>	<b>\$4,458,174,039</b>	<b>\$2,098,619,170</b>	<b>\$124,157,144</b>	<b>\$433,686,882</b>	<b>\$7,114,637,235</b>
<b>Fourth Q 2017 Activity:</b>					
Billings	0	0	0	0	0
Late Charges net of waived	0	0	0	0	0
Late Filing fee	0	0	0	0	0
Deferred Payment Plan Fees	0	0	0	0	0
Bad Debt expense	0	0	0	0	0
Bad Debt expense (COMAD)	0	0	0	0	0
Program Disbursements	0	0	0	0	0
Future Funded Expenses	0	0	0	0	0
Admin Expenses	0	0	0	0	0
Interest Income	0	0	0	0	0
Revenue Accrual	0	0	0	0	0
<b>Fund Balance 12/31/17</b>	<b>\$4,458,174,039</b>	<b>\$2,098,619,170</b>	<b>\$124,157,144</b>	<b>\$433,686,882</b>	<b>\$7,114,637,235</b>
<b>Year to Date 2017 Activity:</b>					
Billings	\$1,271,459,135	\$3,317,666,037	\$991,303,640	\$192,261,348	\$5,772,690,160
Late Charges net of waived	(22,762)	2,441,792	13,691	21,970	2,454,691
Late Filing fee	68,661	161,295	41,966	3,417	275,339
Deferred Payment Plan Fees	2,405	2,135	7,363	97	12,000
Bad Debt expense	(1,140,081)	(3,404,569)	(1,156,657)	(353,664)	(6,054,972)
Bad Debt expense (COMAD)	(28,815,229)	(2,482,096)	7,302,011	0	(23,995,314)
Program Disbursements	(2,037,973,188)	(3,525,293,234)	(980,596,172)	(214,423,098)	(6,758,285,692)
Future Funded Expenses	0	40,828,000	10,356,000	0	51,184,000
Admin Expenses	(77,629,354)	(33,544,513)	(24,384,303)	(8,578,719)	(144,136,890)
Interest Income	33,518,774	13,958,996	1,167,641	2,575,070	51,220,480
Revenue Accrual	0	0	0	0	0
<b>Fund Balance YTD</b>	<b>\$4,458,174,039</b>	<b>\$2,098,619,170</b>	<b>\$124,157,144</b>	<b>\$433,686,882</b>	<b>\$7,114,637,235</b>

# USAC Board of Directors Meeting

## iBOD01 Attachment C-3 Cash Reserves – By Program As of September 30, 2017

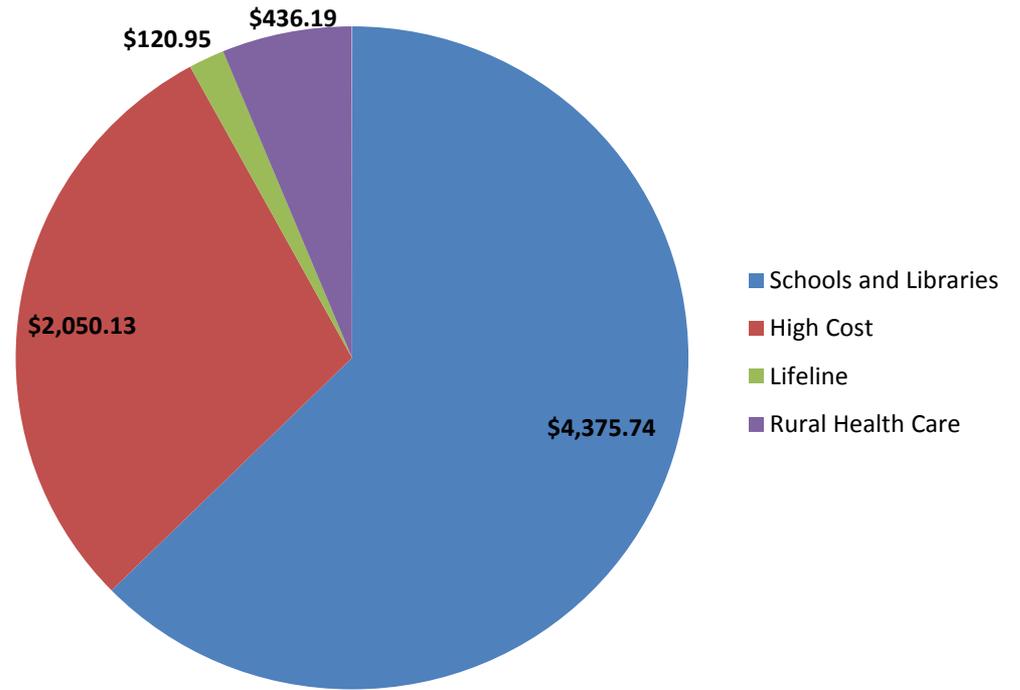
October 24, 2017



Universal Service  
Administrative Co.

## CASH BALANCE BY PROGRAM

As of September 30, 2017  
(in millions)



Total USF Cash Balance as of 9/30/2017 : \$6,983.01 million

## SCHOOLS AND LIBRARIES

<b>Cash Reserve by Funding Year</b>					
	<b>Fund Year 2017</b>	<b>Fund Year 2016</b>	<b>Fund Year 2015</b>	<b>Fund Year 2014 and earlier</b>	<b>Total</b>
Available Cash	\$1,810.41	\$1,627.76	\$318.40	\$619.17	\$4,375.74
Obligated, Unpaid	(\$1,250.10)	(\$1,276.80)	(\$161.90)	(\$238.71)	(\$2,927.51)
Unobligated Cash	\$560.31	\$350.96	\$156.50	\$380.46	\$1,448.23
Reserve for Pending Applications/Invoice Extensions	(\$432.21)	(\$37.66)	(\$75.06)	(\$89.08)	(\$634.01)
Reserve for Appeals	\$0.00	(\$158.24)	(\$6.94)	(\$252.14)	(\$417.32)
Available for Rollover	\$128.10	\$155.06	\$74.50	\$39.24	\$396.90

## RURAL HEALTH CARE

### Cash Reserve by Funding Year

	Fund Year 2017	Fund Year 2016	Fund Year 2015	Fund Year 2014 and earlier	Total
Available Cash	\$168.71	\$160.11	\$56.49	\$50.88	\$436.19
Obligated, Unpaid	\$0.00	(\$133.31)	(\$47.30)	(\$25.63)	(\$206.24)
Unobligated Cash	\$168.71	\$26.80	\$9.19	\$25.25	\$229.95
Reserve for Pending Applications	(\$168.71)	\$0.00	\$0.00	\$0.00	(\$168.71)
Reserve for Appeals	\$0.00	(\$26.80)	(\$9.19)	(\$25.25)	(\$61.24)
Available for Rollover	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

## HIGH COST ACCOUNT

<u>Cash</u> (\$ in millions)	
Cash	\$2,050.13
Reserved for CAF	(\$1,943.80)
Cash Available for Legacy Programs	\$106.33

<sup>1</sup> As of September 30, 2017, HC CAF Obligations total \$11.208 million as follows:  
 CAF Phase II (\$5,069 M), RBE (\$27 M), Mobility (\$38 M), A-CAM (\$4,867 M), Alaska Plan (\$1,186 M), Frozen Support (\$21 M)

## CONNECT AMERICA FUND HIGH COST ACCOUNT

<b>Activity by Quarter</b>				
<b>(in millions)</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disbursements</b>	<b>Ending Balance</b>
<b>Actuals</b>				
Calendar Year 2012	\$524.32	\$467.70	(\$105.20)	\$886.82
Calendar Year 2013	886.82	680.56	(365.06)	1,202.32
Calendar Year 2014	1,202.32	780.9	(34.80)	1,948.42
Calendar Year 2015	1,948.42	657.02	(593.67)	2,011.77
Calendar Year 2016	2,011.77	489.54	(477.83)	2,023.48
1 <sup>st</sup> Q2017	2,023.48	124.68	(142.57)	2,005.59
2nd Q2017	2,005.59	111.58	(144.81)	1,972.36
3 <sup>rd</sup> Q2017	1,972.36	127.58	(156.14)	1,943.80
<b>Projections</b>				
Projected 4 <sup>th</sup> Q2017	1,943.80	110.32	(127.45)	1,926.67
<b>Net Activity</b>		<b>\$3,549.88</b>	<b>(\$2,147.53)</b>	

## CONNECT AMERICA FUND HIGH COST ACCOUNT

### Activity by Support Component

(in millions)

Support Component	Allocated	Accepted	Disbursements	Remaining Disbursements
Incremental Support Round 1	\$300.00	\$114.34	(\$114.34)	\$0.00
Incremental Support Round 2	386.00	323.95	(323.95)	0.00
Mobility Fund Phase I	300.00	300.00	(145.62)	154.38
Mobility Fund Phase I – Tribal	50.00	50.00	(37.94)	12.06
Rural Broadband Experiment	100.00	37.80	(14.19)	23.61
CAF Phase II Transition	1,089.60	1,089.60	(798.55)	291.05
CAF Phase II Lump Sum	434.18	434.18	(434.18)	0.00
A-CAM	1,995.18	1,995.18	(151.31)	1,843.87
<b>Total</b>	<b>\$4,654.96</b>	<b>\$4,345.05</b>	<b>(\$2,020.08)</b>	<b>\$2,324.97</b>

## LIFELINE PROGRAM

<u>Cash</u>	
(\$ in millions)	
Cash	\$120.95
Reserved	\$0.00
Cash Available to Fund Current Month Payments	\$120.95

# USAC Board of Directors Meeting

## iBOD01 Attachment C-4 Accounts Receivable as of Aug 31, 2017

October 24, 2017



## ACCOUNTS RECEIVABLE (A/R) BALANCE

As of Aug 31, 2017

<i>in thousands</i>	<b>Total Balance</b>	<b>0-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>1-2 years</b>	<b>2years +</b>	<b>% of Total A/R</b>
<b>Total Active A/R</b>	<b>\$622,941</b>	<b>\$611,426</b>	<b>\$2,179</b>	<b>\$3,644</b>	<b>\$2,462</b>	<b>\$3,230</b>	<b>62.60%</b>
% of Total Active A/R	100.00%	98.15%	0.35%	0.58%	0.40%	0.52%	
<b>Total Inactive A/R</b>	<b>\$372,133</b>	<b>\$16,325</b>	<b>\$10,357</b>	<b>\$35,285</b>	<b>\$13,190</b>	<b>\$296,977</b>	<b>37.40%</b>
% of Total Inactive A/R	100.00%	4.39%	2.78%	9.48%	3.54%	79.80%	
<b>Total A/R</b>	<b>\$995,074</b>	<b>\$627,751</b>	<b>\$12,536</b>	<b>\$38,929</b>	<b>\$15,652</b>	<b>\$300,207</b>	<b>100%</b>

- \$623 million of Total A/R is being actively pursued by USAC, 98% of which is less than 91 days old.
- \$372 million is inactive, and USAC is not permitted to pursue collection.
- USAC's collection efforts include delinquency notices, placing the entities on Red Light to prevent program support, and charging interest and penalties on contributor balances.

**ACTIVE A/R**

As of Aug 31, 2017

<i>in thousands</i>	<b>Total Balance</b>	<b>0-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>1-2 years</b>	<b>2years +</b>	<b>% of Active A/R</b>
Contributions	\$601,692	\$595,727	\$734	\$924	\$2,287	\$2,019	96.59%
COMADS - SLD	17,517	15,666	1,290	0	0	561	2.81%
COMADS - RHC	570	0	0	0	0	570	0.09%
HC/LI/SL Recoveries	33	33	0	0	0	0	0.01%
Payment Plan	3,129	0	155	2,720	175	80	0.50%
<b>Total Active A/R</b>	<b>\$622,941</b>	<b>\$611,426</b>	<b>\$2,179</b>	<b>\$3,644</b>	<b>\$2,462</b>	<b>\$3,230</b>	<b>100.00%</b>

- 97% of total Active A/R is for routine contributor billings.
- Contributor debts are transferred to the U.S. Treasury pursuant to DCIA by 120 days delinquent.
- As of Dec. 2015, we have reinstated the transfer of programmatic debts to Treasury.

**INACTIVE A/R**

As of Aug 31, 2017

<i>in thousands</i>	<b>Total Balance</b>	<b>1-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>1-2 years</b>	<b>2years +</b>	<b>% of Inactive A/R</b>
A/R on Appeal or Hold	\$226,055	\$16,325	\$10,378	\$33,651	\$7,265	\$158,438	60.75%
Pre-Petition Bankruptcy	\$32,359	\$0	-\$21	\$114	\$62	\$32,204	8.70%
Transferred to Treasury	\$113,719	\$0	\$0	\$1,520	\$5,863	\$106,335	30.55%
<b>Total Inactive A/R</b>	<b>\$372,133</b>	<b>\$16,325</b>	<b>\$10,357</b>	<b>\$35,285</b>	<b>\$13,190</b>	<b>\$296,977</b>	<b>100.00%</b>

- 61% of inactive A/R is related to amounts on appeal or hold.
- Inactive A/R is nearly fully reserved based on USAC's analysis of the collectability.

# USAC Board of Directors Meeting

## iBOD01 Attachment C-5 Audit Recovery Status Report As of September 30, 2017

October 24, 2017



Universal Service  
Administrative Co.

## REPORT SUMMARY

The attached preliminary data will be provided in support of the FCC Semi-Annual Report which summarizes audit recovery activities during the six-month period ending March 31 and September 30. After FCC's review and approval, the details will be submitted to Congress. In addition to amounts recovered, the report displays amounts associated with pending appeals, guidance, collections in progress and finalized audits with recovery amounts outstanding greater than one year.

## HIGHLIGHTS

- ❑ Balance of outstanding audit recoveries at 9/30/17 is \$177.4 million, related to 232 audits for which full recovery has not been achieved.
- ❑ Balances by program:
  - Schools and Libraries      \$60.9 million (151 audits)
  - Low Income                      6.4 million (21 audits)
  - High Cost                        2.8 million (15 audits)
  - Rural Health Care              0.002 million (1 audit)
  - Contributors                    107.2 million (44 audits)
- ❑ Estimated amounts pending guidance from the FCC total \$109.3 million. Contributor and Schools and Libraries audits comprise the vast majority of these items.
- ❑ Amounts under appeal at the FCC total \$24.7 million.
- ❑ Outstanding balances greater than one year old total \$163.2 million. Most of these balances relate to pending guidance items.

# AUDIT STATUS RECOVERY REPORT

Description	High Cost		Low Income		Rural Health Care		Schools & Libraries		Contributors		TOTAL	
	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost	# audits	Cost
A1. Beginning Balance - 4.1.17	13	3,088,197	26	6,441,583	1	1,860	160	66,560,157	32	99,149,077	232	\$ 175,240,874
A2. Adjustment - Prior Audits: Auditor Recommended Recovery Adjusted by USAC Management	0	55,480	1	336	1	378,697	2	306,538	1	905,368	5	\$ 1,646,419
B. New Audits during the period (4.1.17-9.30.17)	17	1,513,166	16	22,991	0	-	18	2,874,332	14	9,443,640	65	\$ 13,854,129
<b>C. Total</b>	<b>30</b>	<b>4,656,843</b>	<b>43</b>	<b>6,464,910</b>	<b>2</b>	<b>380,557</b>	<b>180</b>	<b>69,741,026</b>	<b>47</b>	<b>109,498,085</b>	<b>302</b>	<b>\$ 190,741,422</b>
D. Activity during the period												
1. New Recoveries during the period												
(A) Collections and offsets	(15)	\$ (1,810,570)	(22)	(10,461)	0	-	(23)	(1,197,429)	(3)	(2,324,693)	(63)	\$ (5,343,153)
2. Write-offs												
(A) DCIA Transfers to the FCC											0	\$ -
(B) Granted Appeals	0	-	0	-	(1)	(378,697)	(6)	(7,603,805)	0	-	(7)	\$ (7,982,502)
<b>Total</b>	<b>(15)</b>	<b>(1,810,570)</b>	<b>(22)</b>	<b>(10,461)</b>	<b>(1)</b>	<b>(378,697)</b>	<b>(29)</b>	<b>(8,801,234)</b>	<b>(3)</b>	<b>(2,324,693)</b>	<b>(70)</b>	<b>\$ (13,325,655)</b>
E. <b>Ending Balance - 9.30.17</b>	<b>15</b>	<b>2,846,273</b>	<b>21</b>	<b>6,454,449</b>	<b>1</b>	<b>1,860</b>	<b>151</b>	<b>60,939,792</b>	<b>44</b>	<b>107,173,393</b>	<b>232</b>	<b>\$ 177,415,767</b>
Balance by Recovery Status												
Appeal Review FCC		2,609,080		2,651,491		1,860		19,430,766		-		\$ 24,693,197
Appeal Review USAC		60,258		1,653,143		-		512,566		3,449,408		\$ 5,675,375
Pending FCC Guidance		-		1,084,440		-		11,209,646		97,039,881		\$ 109,333,967
Collections in Progress		176,935		1,065,375		-		29,786,815		6,684,104		\$ 37,713,228
<b>Total</b>		<b>2,846,273</b>		<b>6,454,449</b>		<b>1,860</b>		<b>60,939,792</b>		<b>107,173,393</b>		<b>\$ 177,415,767</b>
Finalized Audits with Amounts Outstanding Greater than One Year												
Total Amount		2,713,676		6,435,445		1,860		57,041,992		97,039,881		\$ 163,232,854
Number of Audits		7		11		1		132		26		177

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## CONTRIBUTION FACTOR COMPARISON - QUARTERLY

	1Q18	4Q17	3Q17	2Q17	1Q17	Quarterly Change	Annual Change
Program Demand*:							
High							
Cost	\$1,068	\$1,130	\$1,130	\$1,134	\$1,132	(\$62)	(\$64)
Low Income	\$328	\$334	\$339	\$385	\$388	(\$6)	(\$60)
Schools and Libraries	\$507	\$494	\$504	\$404	\$411	\$13	\$96
Rural Health Care	\$99	\$106	\$99	\$101	\$92	(\$7)	\$7
	-----	-----	-----	-----	-----	-----	-----
	\$2,002	\$2,064	\$2,072	\$2,024	\$2,023	(\$62)	(\$21)
Prior Period Adjustments:							
Billing/Interest/Bad Debt	\$89	\$29	(\$27)	(\$7)	(\$18)	\$60	\$107
LI Disbursement vs. Expected	(\$16)	(\$50)	(\$50)	(\$26)	(\$21)	\$34	\$5
Admin. Cost True-up	\$7	\$0	\$0	\$0	(\$9)	\$7	\$16
RHC True-Ups & Adjustments	\$0	\$0	(\$99)	\$0	\$0	\$0	\$0
	-----	-----	-----	-----	-----	-----	-----
	\$2,082	\$2,043	\$1,896	\$1,991	\$1,975	\$39	\$107
Contribution base - 1Q18 estimated	\$12,872	\$13,026	\$13,110	\$13,615	\$13,972	(\$154)	(\$1,100)
Contribution factor - 1Q18 estimated	<b>19.5%</b>	<b>18.8%</b>	<b>17.1%</b>	<b>17.4%</b>	<b>16.7%</b>	0.7%	2.8%

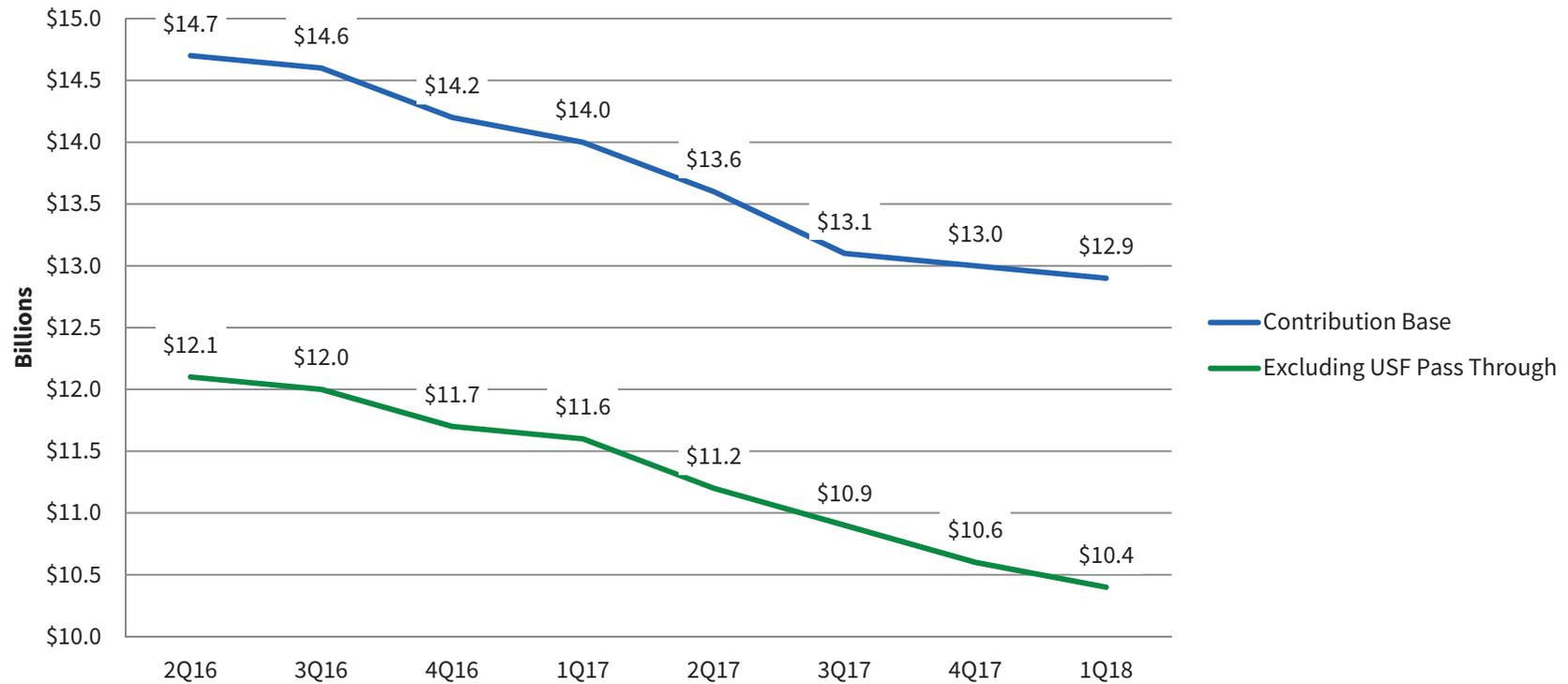
	Quarterly Change		Annual Change	
	<i>in millions</i>	<i>percent</i>	<i>in millions</i>	<i>percent</i>
<b>Key Components of Quarterly Change</b>	<b>Change + / -</b>	<b>Pro Forma</b>	<b>Change + / -</b>	<b>Pro Forma</b>
HC Demand	(\$62)	-0.7%	(\$64)	-0.6%
LI Demand	(\$6)	-0.1%	(\$60)	-0.6%
SL Demand	\$13	0.2%	\$96	0.9%
RHC Demand	(\$7)	-0.1%	\$7	0.1%
Billing/Bad Debt/Interest	\$60	0.7%	\$107	0.9%
LI Disbursement vs. Expected	\$34	0.4%	\$5	0.1%
Admin. Cost True-up	\$7	0.1%	\$16	0.2%
RHC True-Ups & Adjustments	\$0	0.0%	\$0	0.0%
Contribution Base	(\$154)	0.2%	(\$1,100)	1.8%
		0.7%		2.8%

\* Program Demand includes Admin Expenses less Interest Income

## CONTRIBUTION BASE TREND

### Finance :

- The green line excludes revenue collected from USF pass-through charges, which are ultimately eliminated by way of the FCC circularity factor.
- The 1Q18 contribution base is \$154 million lower than 4Q17, and is \$2.1 billion lower than 1Q16.



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## Demand Estimate Comparison

<i>(in millions)</i>	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
<b>High Cost Support Mechanism</b>					
High Cost Loop Support	\$ 125.66	\$ 125.65	\$ 125.65	\$ 155.34	\$ 158.95
Connect America Broadband Loop Support	178.02	186.12	186.12	233.97	240.94
Frozen Price Cap Carrier Support	36.74	36.75	36.73	36.75	41.69
Frozen Competitive ETC Support	122.64	123.80	124.60	124.59	146.85
Alternative Connect America Cost Model	137.11	138.95	138.95		
CAF - Intercarrier Compensation Support	102.75	102.83	106.84	107.96	107.72
CAF Reserve Pursuant to FCC 11-161	(67.09)	(12.79)	(21.36)	31.34	30.86
CAF Phase II	390.78	390.78	394.56	402.14	397.22
Rural Broadband Experiments	0.83	0.83	0.83	0.83	0.77
Alaska Plan Support	32.08	32.08	32.08	32.08	
<i>Subtotal High Cost Support Mechanism Program Demand</i>	<i>\$ 1,059.52</i>	<i>\$ 1,125.00</i>	<i>\$ 1,125.00</i>	<i>\$ 1,125.00</i>	<i>\$ 1,125.00</i>
Prior Period True-ups	50.07	15.67	(15.07)	(3.86)	(9.85)
USAC Administrative Expenses	12.55	10.14	9.58	13.36	11.61
Interest Income	(4.48)	(4.74)	(4.26)	(4.39)	(4.14)
<b>Total Contributions</b>	<b>\$ 1,117.66</b>	<b>\$ 1,146.07</b>	<b>\$ 1,115.25</b>	<b>\$ 1,130.11</b>	<b>\$ 1,122.62</b>

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## Demand Estimate Comparison

<i>(in millions)</i>	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
<b>Low Income Support Mechanism</b>					
Lifeline Assistance	313.04	319.85	330.26	373.83	381.11
Link-Up	0.06	0.04	0.09	0.07	0.12
<i>Subtotal Low Income Support Mechanism Program Demand</i>	<i>\$ 313.10</i>	<i>\$ 319.89</i>	<i>\$ 330.35</i>	<i>\$ 373.90</i>	<i>\$ 381.23</i>
Prior Period True-ups	(4.15)	(44.46)	(54.67)	(27.03)	(26.13)
USAC Administrative Expenses	14.92	14.69	8.49	11.40	7.36
Interest Income	(0.27)	(0.28)	(0.17)	(0.14)	(0.15)
<b>Total Contributions</b>	<b>\$ 323.60</b>	<b>\$ 289.84</b>	<b>\$ 284.00</b>	<b>\$ 358.13</b>	<b>\$ 362.31</b>
<b>Rural Health Care Support Mechanism</b>					
Rural Health Care Support	100.00	107.28	100.00	98.90	89.80
Prior Period True-Ups	(3.87)	1.69	(100.38)	(0.35)	(1.41)
USAC Administrative Expenses				3.33	3.35
Interest Income	(1.02)	(1.17)	(0.85)	(0.81)	(0.70)
<b>Total Contributions</b>	<b>\$ 95.11</b>	<b>\$ 107.80</b>	<b>\$ (1.23)</b>	<b>\$ 101.07</b>	<b>\$ 91.04</b>

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## Demand Estimate Comparison

*(in millions)*

### Schools and Libraries Support Mechanism

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Schools and Libraries Support	486.57	486.57	486.57	\$ 380.03	\$ 380.03
Inflation Adjustment (FCC 11-161)	0.00	0.00	0.00	0.00	0.00
Prior Period True-Ups	38.04	5.77	(6.08)	(1.93)	(10.58)
USAC Administrative Expenses	30.06	17.46	27.72	34.7	41.5
Interest Income	(9.56)	(10.33)	(10.12)	(10.56)	(10.08)
<b>Total Contributions</b>	<b>\$ 545.11</b>	<b>\$ 499.47</b>	<b>\$ 498.09</b>	<b>\$ 402.24</b>	<b>\$ 400.87</b>

## Demand Estimate Comparison

<i>(in millions)</i>	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
<b>Summary</b>					
Beneficiary Payments	\$ 1,499.84	\$ 1,525.01	\$ 1,528.97	\$ 1,403.48	\$ 1,437.27
Administrative Expense	57.53	42.29	45.79	62.79	63.82
Interest Income	(15.33)	(16.52)	(15.40)	(15.9)	(15.07)
CETC Reserve Pursuant to FCC 10-155	0.00	0.00	0.00	0.00	0.00
CAF Phase I - Incremental Support	0.00	0.00	0.00	0.00	0.00
CAF - Inter-carrier Compensation Support	102.75	102.83	106.84	107.96	107.72
CAF Reserve Pursuant to FCC 11-161	(67.09)	(12.79)	(21.36)	31.34	33.08
CAF Phase II	390.78	390.78	394.56	402.14	397.22
Alaska Plan Support	32.08	32.08	32.08	32.08	
Rural Broadband Experiments	0.83	0.83	0.83	0.83	0.77
<b>Base Demand</b>	<b>\$ 2,001.39</b>	<b>\$ 2,064.51</b>	<b>\$ 2,072.31</b>	<b>\$ 2,024.72</b>	<b>\$ 2,024.81</b>
Prior Period Adjustments	80.09	(21.33)	(176.20)	(33.17)	(47.97)
<b>Reported Demand</b>	<b>\$ 2,081.48</b>	<b>\$ 2,043.18</b>	<b>\$ 1,896.11</b>	<b>\$ 1,991.55</b>	<b>\$ 1,976.84</b>
<b>Summary</b>					
<i>Program Support Total - Prior Period Adjustment</i>					
High Cost	\$ 1,067.59	\$ 1,130.40	\$ 1,130.32	\$ 1,133.97	\$ 1,132.47
Low Income	327.75	334.30	338.67	385.16	388.44
Rural Health Care	98.98	106.11	99.15	101.42	92.45
Schools and Libraries	507.07	493.70	504.17	404.17	411.45
<b>Total Base Demand (before PPA)</b>	<b>\$ 2,001.39</b>	<b>\$ 2,064.51</b>	<b>\$ 2,072.31</b>	<b>\$ 2,024.72</b>	<b>\$ 2,024.81</b>
<b>Prior Period Adjustments</b>	<b>80.09</b>	<b>(21.33)</b>	<b>(176.20)</b>	<b>(33.17)</b>	<b>(47.97)</b>
<b>Filed Demand</b>	<b>\$ 2,081.48</b>	<b>\$ 2,043.18</b>	<b>\$ 1,896.11</b>	<b>\$ 1,991.55</b>	<b>\$ 1,976.84</b>

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## Demand Estimate Comparison

<i>(in millions)</i>	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Contribution Base	\$ 12,871.99	\$ 13,025.59	\$ 13,110.46	\$ 13,615.14	\$ 13,971.51
<i>Contribution Base (Estimated Revenue - Circularity - Bad Debts)</i>	<b>\$ 10,682.60</b>	<b>\$ 10,872.59</b>	<b>\$ 11,102.21</b>	<b>\$ 11,507.35</b>	<b>\$ 11,874.72</b>
Contribution Factor with PPA	0.19485	0.18792	0.17079	0.17307	0.16647
<b>Contribution Factor (rounded)</b>	<b>19.5%</b>	<b>18.8%</b>	<b>17.1%</b>	<b>17.4%</b>	<b>16.7%</b>