



# Board of Directors

## Briefing Book

Tuesday, January 29, 2019

8:30 a.m. - 2:00 p.m. Eastern Time

Universal Service Administrative Offices

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

Washington, D.C. 20005

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

**Tuesday, January 29, 2019  
8:30 a.m. – 2:00 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 October 30, 2018, November 26, 2018, December 10, 2018 and January 2, 2019 <b>B.</b> Approval of moving all <i>Executive Session</i> Items into <i>Executive Session</i> <b>C.</b> Approval of April 2020 – January 2021 Board of Directors Quarterly Meeting Schedule. <b>D.</b> Resolution Honoring Board Members Whose Service on the Board Has Recently Ended.	10
Chair	<b>a2.</b> Annual Election of Committee At-Large Seats, Chairs and Vice Chairs and Election of Appointment of Corporate Officers.	15
Chair	<b>a3.</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	15
Teleshia	<b>a4.</b> Approval of 2019 Audit Committee Charter ( <i>Same as aAC03</i> )	10
Larry	<b>a5.</b> Reaffirming USAC Employee Ethics Standards	10
Larry	<b>a6.</b> Review of Statement of Ethical Conduct for Members of the USAC Board of Directors and Board Member Annual Disclosure of Corporate or Entity Affiliations Form	5
Pam	<b>a7.</b> Approval of USAC Common and Consolidated 2nd Quarter 2019 Budgets for the January 31, 2018 FCC Filing	10
Radha	<b>i1.</b> Enterprise Business Updates: <b>A.</b> CEO Business Update <ul style="list-style-type: none"> <li>• 2018 Major Accomplishments</li> <li>• 2019 Goals</li> <li>• CEO Roundtable Update</li> </ul>	20
Stephen	<b>B.</b> Shared Services Business Update <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• Escalating Team Concept</li> </ul>	20

	<b><u>OPEN SESSION</u></b>	<i>Estimated Duration in Minutes</i>
	<ul style="list-style-type: none"> <li>• Update on Completed On-line Training</li> </ul>	
Bob Kyle	<b>C. Information Technology Business Update</b> <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• FISMA- 2018 Accomplishments and 2019 Goals</li> </ul>	15
Chris B.	<b>D. Enterprise Portfolio Management Office Business Update</b> <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• Enterprise Risk Management</li> </ul>	20

<b><u>EXECUTIVE SESSION</u></b>		
<b>Confidential – Executive Session Recommended</b>		
Chris Teleshia Pam	<b>ii. Enterprise Business Updates (continued)</b> <b>D. Enterprise Risk Management (continued)</b> <ol style="list-style-type: none"> <li>1. Discussion of 2019 Risks and Mitigations</li> <li>2. Discussion of 2019 Internal Controls Over Operations</li> <li>3. Information on the Office of Management and Budget (OMB) Circular A-123 Plan</li> </ol>	15
Pam	<b>E. Finance</b> <ul style="list-style-type: none"> <li>• Information on Contribution Factor</li> </ul>	10
Joel Daniels	<b>C. Information Technology Business Update(continued)</b> <ol style="list-style-type: none"> <li>1. Pre-prod for National Verifier</li> </ol>	10
Tamika	<b>F. Human Resources Business Update</b> <ul style="list-style-type: none"> <li>• 2018 Accomplishments</li> <li>• 2019 Goals</li> <li>• Operational Performance Metrics Overview</li> </ul>	20
Craig	<b>G. Procurement Update</b> <ol style="list-style-type: none"> <li>1. Procurement Business Update                             <ul style="list-style-type: none"> <li>○ 2018 Accomplishments</li> <li>○ 2019 Goals</li> </ul> </li> <li>2. 2018 Procurement Report</li> <li>3. 2018 Fourth Quarter Procurement Report</li> <li>4. 2019 Procurement Plan</li> <li>5. USAC Procurement Competition Advocate Annual Report</li> </ol>	10
Craig	<b>a8.</b> Consideration of Contract Award for Oracle for Technical Support	5
Craig	<b>a9.</b> Consideration of a Contract Award for Provision of Workplace Collaboration Tools	5
Pam	<b>a10.</b> Approval of 2019 Annual USAC Common and Consolidated Budgets	20

<b><u>EXECUTIVE SESSION</u></b> <b>Confidential – <i>Executive Session Recommended</i></b>		
Nikki-Blair	<b>i2.</b> Information on One USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports	5
Chair	<b>i3.</b> Personnel Matter – Executive Session with Board (Lunch)	60

**Next USAC Board of Directors Meeting**

**Tuesday, April 30, 2019**  
**8:30 a.m. – 2:30 p.m. Eastern Time**  
**USAC Offices, Washington, D.C.**

**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 October 30, 2018, November 26, 2018, December 10, 2018, and January 2, 2019 (*see Attachments A-1 through A-4*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
  - (1) **ii** – Enterprise Business Updates (*Continued*).
    - **C.** Information Technology Business Update (*continued*).
      - **1.** Pre-prod for National Verifier. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
    - **D.** Enterprise Portfolio Management Office Business Update.
      - **1.** Discussion of 2019 Audit Plan. USAC management recommends that this item be discussed in *Executive Session* because the matter involves *specific internal controls and/or confidential company data*.
      - **2.** Information on the Office of Management and Budget (OMB) Circular A-123 Plan. USAC management recommends that this item be discussed in *Executive Session* because the matter involves *specific internal controls and/or confidential company data*.
    - **E.** Finance - Information on Contribution Factor. USAC management recommends that this report be discussed in *Executive Session* because this matter 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*.

- **F.** Human Resource Business Update. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.
  - **G.** Procurement Update. USAC management recommends that the following items be discussed in *Executive Session* because they relate to USAC's *procurement strategy and contract administration*:
    - **1.** Procurement Business Update.
    - **2.** 2018 Procurement Report.
    - **3.** 2018 Fourth Quarter Procurement Report.
    - **4.** 2019 Procurement Plan.
    - **5.** USAC Procurement Competition Advocate Annual Report.
- (2) **a8** – Consideration of Contract Award for Oracle for Technical Support. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (3) **a9** – Consideration of a Contract Award for Provision of Workplace Collaboration Tools. USAC management recommend that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (4) **a10** – Approval of 2019 Annual USAC Common and Consolidated Budgets. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- (5) **i2** – Information on One USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to *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) **i3** – Personnel Matter – Executive Session with Board (Lunch). USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.

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

**C.** Approval of April 2020 – January 2021 Board of Directors Quarterly Meeting Schedule (see **Attachment C**)

**D.** Resolution Honoring a Board Member Whose Service on the Board Has Recently Ended. The Board would like to recognize and honor Dr. Miguel Hernandez, whose term has recently concluded. Dr. Hernandez served as a Board member, from January 2016 through December 2018, during which time he provided leadership and guidance in USAC's administration of the federal Universal

Service Fund. The USAC Board and USAC management are extremely appreciative of Dr. Hernandez's dedication to universal service.

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of October 30, 2018, November 26, 2018, December 10, 2018 and January 2, 2019; and (2) discussion in *Executive Session* of the items noted above; and

**RESOLVED FURTHER**, that the USAC Board of Directors adopts the Board of Directors and committee quarterly meetings schedule for April 2020 through January 2021; and

**RESOLVED FURTHER**, that the USAC Board of Directors hereby expresses its sincere appreciation to Dr. Miguel Hernandez for his dedicated service on the Board of Directors of the Universal Service Administrative Company, and wishes him the best in his future endeavors.

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

**BOARD OF DIRECTORS MEETING**  
**Tuesday, October 30, 2018**

**(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, October 30, 2018. Mr. Joel Lubin, Board Chair, called the meeting to order at 8:34 a.m. Eastern Time, with all 19 Board members present:

Bocher, Robert	Jacobs, Ellis – Secretary
Buzacott, Alan	Kinser, Cynthia – <i>by telephone</i>
Choroser, Beth	Lubin, Joel – Chair
Domenech, Dr. Dan	Mason, Ken – Treasurer
Feiss, Geoff	Sekar, Radha – Chief Executive Officer
Fontana, Brent	Tinic, Atilla
Freeman, Sarah	Wade, Dr. Joan
Gerst, Matthew	Wein, Olivia
Gillan, Joe – Vice Chair	Wibberly, Dr. Kathy
Hernandez, Dr. Mike	

Officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary  
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management  
Davis, Craig – Vice President of Procurement and Sourcing Strategy  
Delmar, Teleshia – Vice President of Audit and Assurance  
Gaither, Victor – Vice President of High Cost  
Garber, Michelle – Vice President of Lifeline  
Holstein, Bob – Vice President and Chief Information Officer  
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and  
Assistant Treasurer  
Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC

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<sup>1</sup> Draft resolutions were presented to the Board prior to the Board 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.



<b><u>NAME</u></b>	<b><u>COMPANY</u></b>
Benthall, Anthony	USAC
Bliss, Edward	USAC
Brisé, Ronald	Gunster
Burgess, Melody	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Dangerfield, Raydiance	USAC
Daniels, Joel	USAC
Fischer, Dennis	USAC
Gerensky, Mitko	USAC
Gidley, Susan	USAC
Goode, Vernell	USAC
Gustafson, Jaymie	USAC
Haus, Allen	Avitecture
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Isaac, Varun	USAC
Kahn, Sammy	USAC
Kim, Nathan	USAC
Little, Chris	USAC
Mariani, Elizabeth	USAC
Marjani, Regina	USAC
Mitchell, Tamika	USAC
Moroz, Irina	USAC
Nuzzo, Patsy	USAC
Parker, Ben	USAC
Patel, Amish	USAC
Pilsch, Tracey	USAC
Platon, Donna	USAC
Rand, Spencer	USAC
Robinson, Ben	USAC
Singh, Amit	USAC
Subramanian, Nathan	USAC
Tamm, Nico	USAC
Tessler, Joelle	USAC
Theobald, Fred	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC

**OPEN SESSION**

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

- a1. Consent Items.** Mr. Lubin presented these items to the Board.
- A.** Approval of Board Meeting Minutes of July 23, 2018 and September 28, 2018.
  - B.** Approval of Moving all *Executive Session* Items to *Executive Session*.
    - ii.** Enterprise Business Updates (*Continued*).
      - E.** Finance.
        - 1. Information on Preliminary 2019 Annual USAC Common and Consolidated Budgets. USAC management recommended that this report be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
        - 2. Information on Contribution Factor. USAC management recommended that this report be discussed in *Executive Session* because this matter 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*.
        - 3. Information on Great Plains Replacement Update. USAC management recommended that this item be discussed in *Executive Session* because the matter involves *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures, and may include discussion of USAC's *contractual and procurement matters* where discussion of such matters in open session would compromise USAC's business objectives or negotiating strategy.
      - F.** Human Resources. USAC management recommended that this item be discussed in *Executive Session* because it involves *internal personnel matters*.
      - G.** Procurement Update
        - 1. Procurement Business Update. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
        - 2. 2018 Third Quarter Procurement Report. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
  - a7.** Consideration of a One-Year Contract Options Call Center Services. USAC management recommended that this item be

discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

- a8. Consideration of a One-Year Contract Option for IDIQ IT Staff Augmentation Vendors. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.
- i2. Information on Two USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommended that this item be discussed in *Executive Session* because this matter relates to *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*.
- i3. Executive Session (Lunch) with Board. USAC management recommended this item be discussed in *Executive Session* because the matter relates to the Board's oversight responsibilities and may involve discussion of *internal rules and procedures* concerning the administration of the universal service support mechanisms, where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
- a9. Executive Session with CEO, Personnel Matters: USAC management recommended that discussion of this item should occur in *Executive Session* because this matter relates to *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity. In addition, this matter may involve *internal personnel matters*.

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

**RESOLVED**, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of July 23, 2018 and September 28, 2018; and (2) 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, Rural Health Care Committee, and Schools & Libraries Committee.** The committee chairs reported on matters discussed and actions taken by their respective committees since the July 2018 quarterly meetings. Mr. Feiss reported for the Audit Committee; Dr. Wiberly reported for the Rural Health Care

Committee; Dr. Domenech reported for the Schools and Libraries Committee; Mr. Gillan reported for the High Cost & Low Income Committee and Executive Compensation Committee; and Mr. Lubin reported for the Executive Committee.

- a3. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.** Mr. Lubin presented this item for consideration, noting that the dates should be corrected to January 29, 2019 in the resolutions.

On a motion duly made and seconded and after discussion, the Board adopted 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 29, 2019 meeting nominations for the elected USAC officer positions; and

**RESOLVED FURTHER**, that the USAC Board of Directors appoints **Ken Mason** as Nominating Committee Chair and **Matthew Gerst** and **Olivia Wein** 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 29, 2019 meeting nominations for a chair and vice chair of each respective committee.

- a4. Approval of Common and Consolidated 1st Quarter 2019 Budgets for the November 2, 2018 FCC Filing.** 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 1st Quarter 2019 common budget of \$24.70 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$24.70 million for common costs in the required November 2, 2018 filing to the FCC on behalf of the USAC Board of Directors; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 1st Quarter 2019 consolidated budget of \$57.05 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$57.05 million

for consolidated costs in the required November 2, 2018 filing to the FCC on behalf of the USAC Board of Directors.

**a5. Acceptance of USAC's Enterprise Risk Management Framework Enterprise Business Update.** Mr. Beyerhelm 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 accepts USAC's Enterprise Risk Management / Governance, Risk, and Compliance framework for assessing and minimizing significant risks to the organization, and reporting such activity to the Board.

**a6. Consideration of Approval to Reimburse Board Members to Attend an Event Other Than a USAC Board or Committee Meeting.** Mr. Beckford presented this item for consideration.

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

**RESOLVED**, that in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings*, the Board of Directors authorizes USAC management to reimburse those Board members who travel to Washington, D.C. for the purpose of participating in USAC's 2019 Budget Planning Review.

**ii. Enterprise Business Updates:**

**A. CEO.** Ms. Radha Sekar presented the following to the Board:

1. Action Items from the July 2018 Quarterly Board and Committee Meetings
2. Accomplishments
3. USAC's 18-Month Program Plans
4. CEO Roundtable Update

**B. Information Technology.** Mr. Holstein presented the following to the Board:

1. IT At a Glance
2. Accomplishments
3. Current Topics:
  - a. E-Gov Assessment
  - b. National Verifier – Pre-Prod Strategy
  - c. FISMA
  - d. IT 18-Month Plan
  - e. Upcoming Milestones

**C. Enterprise Portfolio Management Office.** Mr. Beyerhelm presented the following to the Board:

1. At a Glance – EMPO
2. CAF Map (a demonstration was facilitated by Edward Bliss)
3. Data Strategy and Business Intelligence (a demonstration was facilitated by Ben Parker and Varun Isaac)
4. EPMO Strategic Initiatives & Objectives

The Board recessed at 10:52 a.m. Eastern Time and reconvened at 11:03 a.m. Eastern Time.

**D. Shared Services.** Mr. Little presented the following to the Board:

1. Action Items and Updates from the July 2018 Board Meeting
2. Call Center Transition at a Glance
3. Call Center Performance Scorecard Comparison
4. Call Center Migration Benefits
5. Support Services – Emergency Preparedness and Response
6. Call Center Feedback
7. Shared Services – Communications and Training
8. 2019 Annual Report Timeline
9. Shared Services – Communications and Training at a Glance

At 11:22 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. Enterprise Business Updates (continued):**

**E. Finance Reports.** Mr. Salvator and Ms. Hughet presented the following topics to the Board for discussion:

1. Information on Preliminary 2019 Annual USAC Common and Consolidated Budgets
2. Information on Contribution Factor
3. Information on Great Plains Update

**F. Human Resources.** Ms. Mitchell presented the following topics to the Board for discussion:

1. HR at a Glance
2. Learning and Development Programs
3. Total Rewards: Benefits and Compensation
4. Q3 Recruitment and Retention

**G. Procurement Update.** Mr. Davis noted that the 2018 Third Quarter Procurement Reports was provided for informational purposes only. He then presented the following topics to the Board for discussion:

1. Procurement At a Glance
2. SLD BPO Update
3. Procurement Organization Accomplishments – Recent Activities
4. Upcoming Procurement Activity – 4Q2018-1Q2019

At 12:15 p.m. Eastern Time, with only the Board and Leadership team present, the meeting continued in *Executive Session*.

- i3. Executive Session with Board (Lunch).** Mr. Kahn, Ms. Tessler and Mr. Subramanian presented the High Cost Knowledge Management Program.
- a7. Consideration of a One-Year Contract Options Call Center Services.** Mr. Davis presented this item for consideration.

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

**RESOLVED**, that the Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to exercise a one-year contract option to purchase call center Services from Sutherland Global Services for a not-to-exceed amount of \$1.54 million (plus applicable taxes), subject to required FCC approval.

- a8. Consideration of a One-Year Contract Option for IDIQ IT Staff Augmentation Vendors.** Mr. Davis 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 the recommendation of USAC management, hereby authorizes USAC management to exercise a one-year option for each of the eight IDIQ contracts with Manpower Group Public Sector, Inc.; Mindlance, Inc.; C3 Systems; Hirestrategy; Ampcus; Powersolv; Zolon Tech, Inc.; and VIVA USA, Inc., subject to requisite FCC approval. Each of these IDIQ contracts shall be subject to a minimum of \$1,000 per contract, and task orders collectively under all of these IDIQ contracts will not exceed \$14.8 million in the aggregate during the one-year option period.

- i2. Information on Two USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** This report was included for information purposes only.



At 1:44 p.m. Eastern Time, the meeting continued in Executive Session with only members of the Board, General Counsel, and Ms. Mitchell present.

**a9. Executive Session with CEO – Personnel Matters:**

**Consideration of 2019 Merit-Based Salary Increase and Incentive Awards Program for USAC Employees.** Ms. Mitchell 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 the USAC management proposed 2019 merit-based salary increase and incentive awards program for USAC employees, hereby approves the proposed program.

**RESOLVED FURTHER**, that the USAC Board of Directors, having reviewed the USAC Compensation Policy recommended by the Executive Compensation Committee, hereby adopts the USAC Compensation Policy.

Mr. Lubin reminded the Board of the upcoming Nominating Committee Survey, once the FCC announced Board nominations. He also addressed the CEO Survey and provided an update on the Memorandum of Understanding between the FCC and USAC.

The Board review the agenda items to be discussed with the FCC and the Executive Committee at the afternoon meeting.

**OPEN SESSION**

At 2:05 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 Mr. Lubin reported that in *Executive Session*, the Board took action on items a7, a8 and a9 and discussed items i1E – G, i2, and i3.

On a motion duly made and seconded, the Board adjourned at 2:06 p.m. Eastern Time.

/s/ Ernesto Beckford  
Assistant Secretary



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

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

**Washington, D.C. 20005**

**BOARD OF DIRECTORS MEETING**

**Monday, November 26, 2018**

**(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 Monday, November 26, 2018. Mr. Joel Lubin, Board Chair, called the meeting to order at 3:04 p.m. Eastern Time, with a quorum of 11 of the 19 Board members present:

Bocher, Robert – *by telephone*

Buzacott, Alan – *by telephone*

Feiss, Geoff – *by telephone*

Fontana, Brent – *by telephone*

Gerst, Matthew – *by telephone*

Gillan, Joe – Vice Chair – *by telephone*

Lubin, Joel – Chair – *by telephone*

Sekar, Radha – Chief Executive Officer

Tinic, Atilla – *by telephone*

Wein, Olivia – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Members of the Board not present:

Choroser, Beth

Domenech, Dr. Dan

Freeman, Sarah

Hernandez, Dr. Mike

Jacobs, Ellis – Secretary

Kinser, Cynthia

Mason, Ken – Treasurer

Wade, Dr. Joan

Officers of the corporation present:

Davis, Craig – Vice President of Procurement and Sourcing Strategy

Holstein, Bob – Vice President and Chief Information Officer

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 Board prior to the Board 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>
Hamm, Aaron	USAC
Meyers, Erica	USAC
Nuzzo, Patsy	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC

### OPEN SESSION

- a1. **Consideration of Contract Awards for an Information Security Program.** USAC management 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, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

- a2. **Consideration of Contract Awards for ServiceNow Development and Professional Services.** USAC management 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, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

At 3:05 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 Awards for an Information Security Program.** Mr. Davis presented this item for consideration.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a contract for USAC's Information Security Program to KPMG LLP for a base period of twelve (12) month for \$665,574 (plus applicable taxes) with the

ability to exercise two additional one-year terms, subject to required FCC and Board approvals, for a three-year total not-to exceed price of \$1,953,660 (plus applicable taxes).

**a2. Consideration of Contract Awards for ServiceNow Development and Professional Services.** Mr. Davis presented this item for consideration.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to award a contract for consulting services related to the implementation of additional ServiceNow capabilities to Acorio LLC for a period of twelve (12) months for a total not-to-exceed price of \$340,852 (plus applicable taxes).

At 3:29 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 Mr. Lubin reported that in *Executive Session*, the Committee took action on items a1 and a2.

On a motion duly made and seconded, the Board adjourned at 3:29 p.m. Eastern Time.

/s/ Ernesto Beckford

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

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

**Washington, D.C. 20005**

**BOARD OF DIRECTORS MEETING**

**Monday, December 10, 2018**

**(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 Monday, December 10, 2018. Mr. Joel Lubin, Board Chair, called the meeting to order at 3:02 p.m. Eastern Time, with a quorum of 16 of the 19 Board members present:

Bocher, Robert – <i>by telephone</i>	Jacobs, Ellis – Secretary – <i>by telephone</i>
Buzacott, Alan – <i>by telephone</i>	Kinser, Cynthia – <i>by telephone</i>
Choroser, Beth – <i>by telephone</i>	Lubin, Joel – Chair – <i>by telephone</i>
Domenech, Dr. Dan – <i>by telephone</i>	Mason, Ken – Treasurer – <i>by telephone</i>
Feiss, Geoff – <i>by telephone</i>	Sekar, Radha – Chief Executive Officer
Fontana, Brent – <i>by telephone</i>	Tinic, Atilla – <i>by telephone</i>
Gerst, Matthew – <i>by telephone</i>	Wein, Olivia – <i>by telephone</i>
Gillan, Joe – Vice Chair – <i>by telephone</i>	Wibberly, Dr. Kathy – <i>by telephone</i>

Dr. Kathy Wibberly left the call at 3:30 p.m. Eastern Time. She did not vote on item a1.

Members of the Board not present:

Freeman, Sarah  
Hernandez, Dr. Mike  
Wade, Dr. Joan

Officers of the corporation present:

Ernesto Beckford – Vice President, General Counsel, and Assistant Secretary  
Davis, Craig – Vice President of Procurement and Sourcing Strategy

Others present:

<u>NAME</u>	<u>COMPANY</u>
Hughet, Pam	USAC
Mihalsky, Anna	USAC
Nuzzo, Patsy	USAC

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<sup>1</sup> Draft resolutions were presented to the Board prior to the Board 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.

NAME

Tomlin, Nicole

COMPANY

USAC

**OPEN SESSION**

- a1. **Consideration of Adoption of New FCC-USAC Memorandum of Understanding.**  
USAC management 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, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors determines that the discussion of this item be conducted 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 Adoption of New FCC-USAC Memorandum of Understanding.**  
Mr. Beckford presented this item for consideration.

On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors hereby approves the adoption of the new FCC-USAC Memorandum of Understanding (MOU) recommended by USAC management, and the Board authorizes management, subject to making editorial changes agreed upon by USAC and FCC, to execute the new MOU as proposed.

At 3:42 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 Mr. Lubin reported that in *Executive Session*, the Committee took action on item a1.

On a motion duly made and seconded, the Board adjourned at 3:42 p.m. Eastern Time.

/s/ Ernesto Beckford

Assistant Secretary

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

**BOARD OF DIRECTORS MEETING**  
**Wednesday, January 2, 2018**

**(DRAFT) MINUTES**

In a Public Notice, dated December 20, 2018 (DA 18-1281), Federal Communications Commission (FCC or Commission) Chairman Pai appointed the following six individuals to the USAC Board of Directors (Board):

- Representative for schools that are eligible for discounts under section 54.501 of the Commission's rules: Julie Tritt Schell, State E-rate Coordinator, Pennsylvania Department of Education;
- Representative for information service providers: Olivia Wein, Senior Attorney, National Consumer Law Center;
- Representative for rural healthcare providers that are eligible to receive supported services under section 54.601 of the Commission's rules: Brent Fontana, Technical Business Developer, Amazon Web Services;
- Representative for state telecommunications regulators: Sarah Freeman, Commissioner, Indiana Utility Regulatory Commission;
- Representative for incumbent local exchange carriers (non-Bell Operating Companies) with more than \$40 million in annual revenues: Kenneth F. Mason, Vice President, Government and Regulatory Affairs, Frontier Communications; and
- Representative for interexchange carriers with annual operating revenues of more than \$3 billion: Alan Buzacott, Executive Director, Federal Regulatory Affairs, Verizon Communications, Inc.

On December 21, 2018, the Board was requested to vote by written unanimous consent to elect these members to the Board and appoint them to a committee by virtue of the constituency they represent.

- a1. Election of Members to the USAC Board of Directors and Appointment of Members to Programmatic Committees.** On January 2, 2019, on a motion duly made and approved by written unanimous consent, the Board adopted the following resolutions:

**RESOLVED**, that the USAC Board of Directors, having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws, hereby elects to the USAC Board of Directors effective January 1, 2019:<sup>1</sup>

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<sup>1</sup> Each is director is appointed for a three year term. See 47 C.F.R. § 54.703(d).

- Julie Tritt Schell, for a term expiring on December 31, 2021;
- Olivia Wein, for a term expiring on December 31, 2021;
- Brent Fontana, for a term expiring on December 31, 2021;
- Sarah Freeman, for a term expiring on December 31, 2021;
- Kenneth Mason, for a term expiring on December 31, 2021;
- Alan Buzacott, for a term expiring on December 31, 2021;

**RESOLVED FURTHER**, that each of the aforementioned directors shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws; and

**RESOLVED FURTHER**, that consistent with 47 C.F.R. § 54.705 and the USAC By-laws, Article II, and by virtue of the constituency they represent:

- Julie Tritt Schell is hereby appointed to the Schools & Libraries Committee;
- Sara Freeman is hereby appointed to the High Cost & Low Income Committee; and
- Sara Freeman and Brent Fontana are hereby appointed to the Rural Health Care Committee.

/s/ Ernesto Beckford

Assistant Secretary

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

**ACTION ITEM**

**Approval of April 2020 – January 2021 Board of Directors  
 Quarterly Meeting Schedule**

**Issue:**

The USAC Board of Directors (Board) is requested to approve a schedule for the quarterly Board and committee meetings for April 2020 through January 2021 to provide Board members and USAC staff sufficient lead time to plan for the meetings.

**Background – Analysis – Justification:**

The USAC Board of Directors is required to meet quarterly in Washington, D.C. At its January 2018 meeting, the Board approved quarterly meeting dates through January 2020 as follows:

<b>Executive Committee</b>	<b>Programmatic Committees &amp; Board of Directors</b>
April 25, 2019	April 29-30, 2019 (Passover April 20 – 27, 2019)
July 25, 2019	July 29-30, 2019
October 24, 2019	October 28-29, 2019
January 23, 2020	January 27-28, 2020

Below is the recommended schedule of meetings for April 2020 through January 2021:

<b>Executive Committee</b>	<b>Programmatic Committees &amp; Board of Directors</b>
April 23, 2020	April 27-28, 2020
July 23, 2020	July 27-28, 2020
October 22, 2020	October 26-27, 2020
January 21, 2021	January 25-26, 2021

**Recommended USAC Board of Directors Action:**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors adopts the Board of Directors and committee quarterly meetings schedule for April 2020 through January 2021.



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

**ACTION ITEM**

**Election of Committee At-Large Seats, Chairs, and Vice Chairs  
and  
Election and Appointment of Corporate Officers**

**Action Requested**

The USAC Board of Directors (Board) is requested to elect Board members to Board and committee leadership positions as committee chairs and vice chairs and to certain officer positions, as well as appoint staff members to certain officer positions. In addition, the Board elects members to committees when necessary.

**Discussion**

USAC's By-laws provide that the election of USAC corporate officers should be the first order of business at the first Board meeting at the beginning of each calendar year.<sup>1</sup> The Board also determined that it should elect committee chairs and vice chairs at the same time.<sup>2</sup>

In January 2019, the Nominating Committee of the Board met via teleconference to discuss the results of the December 2018 Board member interest survey and recommend 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), as well as to assist the Audit, Executive, Executive Compensation, High Cost & Low Income (HCLI), Rural Health Care (RHC), and Schools & Libraries (SL) committees in identifying Board members to serve as committee chairs and vice chairs and to fill at-large seats, subject to formal committee nomination and Board approval.

The Nominating Committee shared its recommendations for officer and committee positions with Board members, basing its recommendations on each Board member's interest in serving on a particular committee and/or in a particular officer or committee leadership position and taking into account committee composition requirements, as set out in the Federal Communications Commission (FCC) rules, USAC's By-laws, and committee charters. Unless a member indicated that he or she did not wish to retain his or her current committee assignments (and so long as assignment to a particular committee is not prescribed by the By-laws or committee charters), the Nominating Committee recommended that members currently serving in a particular position remain in that position.

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<sup>1</sup> USAC By-laws, Article III.

<sup>2</sup> USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), available at <http://usac.org/about/about/leadership/board-minutes/bod.aspx>.

Below is information the Nominating Committee used as part of its discussion, which may be informative for Board members regarding Board structure and chair, vice chair and officer positions.

### **Background**

**Board of Directors Membership.** The USAC Board consists of 19 members, with the Chief Executive Officer (CEO) being the only permanently appointed, non-elected member. The other 18 members of the Board serve three-year staggered terms, with six Board member terms expiring each on December 31 of the third year of their term, regardless of when during the year the member was elected to the Board. In effect, six Board members have their terms expire each year. Although Board member terms are set for three years, Board members serve until they are reappointed or replaced by the FCC Chair, the member resigns, or the member is removed by a two-thirds vote of the Board with the concurrence of the FCC Chair.

**Committee Memberships and At Large Seats.** The Board currently has seven committees. The constituency of each committee is set forth below under “Board Committee Composition.” FCC rules and USAC’s By-laws set forth the composition requirements for the HCLI, RHC and SL committees. The composition requirements for the remaining committees are governed by charters that were approved by the Board. Some committee seats are automatic based on the constituency that each Board member represents.<sup>3</sup> Other committee seats, which may be identified as “at large” positions, are not automatic and are made by appointment of the Board.<sup>4</sup>

**Election and Term of Committee Chairs and Vice Chairs.** The Board previously determined by resolution that committee chairs and vice chairs would be elected for one-year terms that will typically commence at the conclusion of the January Board of Directors meeting each year.<sup>5</sup> There are no term limits for chairs and vice chairs, and there is no automatic succession. The Board also determined by resolution that a chair or vice chair would remain in position in the event the Board does not make an election or appointment for such position at the January Board meeting (provided the person holding that position has not resigned or been removed from the Board).<sup>6</sup>

**Officer Terms.** The officers of the company are set forth in Table 2 below. Pursuant to Article III of the USAC By-laws, and applicable Board resolutions, the positions of Board Chair, Vice Chair, Treasurer, Secretary, Assistant Treasurer, and Assistant

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<sup>3</sup> For example, the Board has three members that represent schools eligible to receive support. The SL Committee must contain three members that represent schools eligible to receive support. Therefore, the Board members that represent this constituency are automatically members of the SL Committee.

<sup>4</sup> For example, the SL Committee must contain one at-large representative elected by the Board. The SL Committee also must contain one service provider representative and, because the Board has multiple service provider representatives, this committee position is also an at-large position elected by the Board.

<sup>5</sup> See USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), available at <http://usac.org/about/about/leadership/board-minutes/bod.aspx>.

<sup>6</sup> See *id.*

Secretary each have a one-year term, which typically begins at the conclusion of each January Board meeting. There are no term limits for such positions, and there is no automatic succession. The Board also determined by resolution that an officer would remain in position in the event the Board did not make an election or appointment for such position in the January Board meeting, provided the person holding that position has not resigned from, or been removed by, the Board in the case of a Board member, and has not resigned, or been removed by, the CEO in the case of an employee of USAC.

Nominating Committee. The Nominating Committee consists of three members and is responsible for soliciting nominations and recommending to the Board a slate of candidates for each of USAC's corporate officer positions. In addition, the Committee assists the Audit, HCLI, RHC, and SL committees in identifying Board members to serve as committee chair and vice-chair for each committee, as well as assisting the committees with identifying Board members to fill at-large seats.

The Board appoints the Nominating Committee members during the October quarterly meeting each year. The Nominating Committee typically reports its recommendations to the Board at the January quarterly meeting. In addition, each committee at its respective January quarterly meeting votes on a recommended committee chair and vice chair, with the names of the nominees reported by the respective committee chair to the Board for consideration also at the Board's January meeting.

At the January meeting, the Chair of the Nominating Committee identifies the Board members recommended to serve as Board Chair, Vice Chair, Treasurer and Secretary, and the staff members to serve as Assistant Treasurer and Assistant Secretary. (USAC's Chief Financial Officer (CFO) typically serves as the Assistant Treasurer, and the General Counsel (GC) typically serves as the Assistant Secretary.)

Deferment of Nominating Process Under Certain Circumstances. The nominating process assumes that the FCC Chair has selected individuals to fill expiring terms of members from the prior two years, as well as members whose terms expired on the immediately preceding December 31 (i.e., all expiring term seats have been selected by the FCC Chair and elected to the Board prior to consideration of members for the chair, vice chair, and officer positions). When this has not occurred, which has periodically been the case, the Audit, Executive Compensation, HCLI, RHC and SL committee chairs and vice chairs, as well as the Nominating Committee can (following consultation with the Board Chair, the Vice Chair, the CEO and the General Counsel), choose to defer making recommendations until the FCC Chair has made Board selections.

One Year Minimum Experience. The Board will typically not elect a member to a chair, vice chair or officer position if the member has less than one year of experience as a Board member or the individual's term has expired, even if the member may be re-selected by the FCC Chair.

Incumbent Preferences. Traditionally, an incumbent committee chair and vice chair retain their positions if they so choose, but there is no rule or policy requiring such

practice. Any Board member can serve as Board Chair, Vice Chair, Treasurer or Secretary. As with the committee chair and vice chair positions, the incumbents traditionally retain their positions if they so choose, but there is no rule or policy requiring such practice.

### **Board Committee Composition**

#### *SL Committee:*

47 C.F.R. Section 54.705(a)(2) provides that the SL Committee will include the following seven seats: three school representatives; one library representative; one service provider representative; one at-large representative; and the USAC CEO. On July 26, 2016, at the recommendation of the Nominating Committee, the Board of Directors added two at-large positions to the SL Committee.<sup>7</sup>

#### *HCLI Committee:*

The composition of the HCLI Committee was originally set forth in a 1998 FCC order (FCC 98-306, ¶¶ 34 and 38). Although the FCC did not include the HCLI Committee composition requirements in 47 C.F.R. Part 54, the Order sets the size (nine) and membership of the committee, which USAC included in Article II, Section 8 of its By-laws as follows: two ILEC representatives (one representing rural telephone companies and one representing non-rural telephone companies); one wireless representative; one CLEC representative; one low income representative; one interexchange carrier representative; one state consumer advocate; one state telecommunications regulator representative; and the USAC CEO. On July 26, 2016, at the recommendation of the Nominating Committee, the Board of Directors added two at-large positions to the HCLI Committee.<sup>8</sup>

#### *RHC Committee:*

47 C.F.R. Section 54.705(a)(2) provides that the RHC Committee will consist of the following eight seats: two rural health care representatives; one service provider representative; two at-large representatives elected by the Board; one state telecommunications regulator; one state consumer advocate; and the USAC CEO.

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<sup>7</sup> See USAC Board of Directors Meeting Minutes at 25-26 (July 26, 2016), available at <http://www.usac.org/res/documents/about/pdf/bod/minutes/2016/2016-BOD-Minutes.pdf#pagemode=bookmarks>.

<sup>8</sup> See USAC Board of Directors Meeting Minutes at 25-26 (July 26, 2016), available at <http://www.usac.org/res/documents/about/pdf/bod/minutes/2016/2016-BOD-Minutes.pdf#pagemode=bookmarks>.

Audit Committee:

The Audit Committee has five members, consisting of a member from each of the HCLI, RHC, and SL committees and two at-large seats. Section II.A. of the Audit Committee Charter requires that at least one member of the Committee “have a background in financial reporting, accounting, or auditing, or other financial expertise.”

Executive Committee:

The Executive Committee is comprised of the Board Chair and Vice Chair; the Audit, HCLI, RHC and SL committee chairs; the Treasurer and Secretary of the corporation; and the USAC CEO.

Executive Compensation Committee:

The Executive Compensation Committee (ECC) consists of five voting members, plus the Board Chair, who serves as a non-voting member.

**Current Committee Chairs, Vice Chairs, and Officers***Table 1 – Chairs and Vice Chairs*

Following are the current committee chairs and vice chairs:

<b>Committee</b>	<b>Chair</b>	<b>Vice Chair</b>
Executive	Joel Lubin	Joe Gillan
Audit Committee	Geoff Feiss	Atilla Tinic
High Cost & Low Income	Joe Gillan	Oliva Wein
Rural Health Care	Dr. Kathy Wibberly	Vacant
Schools & Libraries	Dr. Dan Domenech	Ken Mason
Executive Compensation	Joe Gillan	---

*Table 2 – Officers*

Following are the current officers:

<b>Officer Position</b>	<b>Incumbent</b>
Chair	Joel Lubin
Vice Chair	Joe Gillan
Secretary	Ellis Jacobs
Treasurer	Ken Mason
CEO <sup>9</sup>	Radha Sekar

<sup>9</sup> The CEO is elected to a term coincident with the term of the CEO’s employment and is not elected annually.

<b>Officer Position</b>	<b><i>Incumbent</i></b>
Assistant Secretary <sup>10</sup>	Ernesto Beckford
Assistant Treasurer <sup>11</sup>	Charles Salvator
Other USAC VPs <sup>12</sup>	<ul style="list-style-type: none"> <li>• VP, Finance; Chief Financial Officer: Charles Salvator</li> <li>• VP, Rural Health Care Program &amp; Shared Services: Mark Sweeney</li> <li>• VP, Lifeline Program: Michelle Garber</li> <li>• VP, High Cost Program: Victor Gaither</li> <li>• VP, Schools and Libraries: Catriona Ayer (<i>Acting</i>)</li> <li>• VP, Audit Assurance: Teleshia Delmar</li> <li>• VP, Procurement &amp; Strategic Sourcing: Craig Davis</li> <li>• VP; Chief Information Officer: Bob Holstein</li> <li>• VP, Enterprise Portfolio Management: Chris Beyerhelm</li> <li>• VP; General Counsel: Ernesto Beckford</li> </ul>

On January 28, 2019, the Audit, HCLI, RHC, and SL committees met to identify and make recommendations to the Board for action at today’s Board meeting for the positions of committee chair and vice chair of their respective committees.

**Actions to be Taken by the Board of Directors at this Meeting**

The Board will consider resolutions to take the following actions:

- (i) Elect members of the Board to fill at-large seats for each of the Board committees.
- (ii) Elect the Chair and Vice Chair for the SL, HCLI, RHC, and Audit committees, and the Chair for the ECC, each as nominated by the respective committees.
- (iii) Elect the Chair and Vice Chair of the Board, the Treasurer of the corporation, and the Secretary of the corporation.
- (iv) Appoint USAC staff members as Assistant Treasurer of the corporation and Assistant Secretary of the corporation.

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

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<sup>10</sup> Traditionally, the General Counsel serves as the Assistant Secretary.

<sup>11</sup> Traditionally, the CFO serves as the Assistant Treasurer.

<sup>12</sup> The Board determined that each vice president 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; therefore, these positions are not elected annually. However, the positions of Assistant Secretary and Assistant Treasurer are elected annually.

Election of Board Members to Committee At-Large Seats

**RESOLVED**, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Schools & Libraries Committee**: \_\_\_\_\_ (representing service providers), \_\_\_\_\_ (at-large member), \_\_\_\_\_ (at-large member), and \_\_\_\_\_ (at-large member); and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **High Cost & Low Income Committee**: \_\_\_\_\_ (at-large member), and \_\_\_\_\_ (at-large member); and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Rural Health Care Committee**: \_\_\_\_\_ (representing service providers), \_\_\_\_\_ (at-large member), and \_\_\_\_\_ (at-large member); and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Audit Committee**: \_\_\_\_\_ (representing the HCLI Committee), \_\_\_\_\_ (representing the RHC Committee), \_\_\_\_\_ (at-large member), and \_\_\_\_\_ (at-large member); and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Executive Compensation Committee**: \_\_\_\_\_ (at-large member), \_\_\_\_\_ (at-large member), \_\_\_\_\_ (at-large member), \_\_\_\_\_ (at-large member), and \_\_\_\_\_ (at-large member).

Election of Committee Chairs and Vice Chairs

**RESOLVED**, that the USAC Board of Directors accepts the recommendation of the Schools & Libraries Committee and elects \_\_\_\_\_ as Chair and \_\_\_\_\_ as Vice Chair of the **Schools & Libraries Committee**; and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendation of the High Cost & Low Income Committee and elects \_\_\_\_\_ as Chair and \_\_\_\_\_ as Vice Chair of the **High Cost & Low Income Committee**; and



**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendation of the Rural Health Care Committee and elects \_\_\_\_\_ as Chair and \_\_\_\_\_ as Vice Chair of the **Rural Health Care Committee**; and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendation of the Audit Committee and elects \_\_\_\_\_ as Chair and \_\_\_\_\_ as Vice Chair of the **Audit Committee**; and

**RESOLVED FURTHER**, that each of the aforementioned directors shall serve for a term that begins immediately upon the adoption of this resolution by the Board and ends at such time as the chair or vice chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

*Election of Board Chair, Vice Chair, Secretary and Treasurer*

**RESOLVED**, that the USAC Board of Directors elects \_\_\_\_\_ as Chair of the Board and \_\_\_\_\_ as Vice Chair of the Board, \_\_\_\_\_ as Secretary of the corporation, and \_\_\_\_\_ as Treasurer of the corporation, each for a term that begins immediately upon adoption of this resolution and ends when such member's successor has been elected, when such member resigns such position, is removed by resolution of the Board, or is no longer a member of the Board.

*Appointment of USAC Staff Members as Assistant Secretary and Assistant Treasurer*

**RESOLVED**, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and appoints \_\_\_\_\_ as Assistant Secretary of the corporation and \_\_\_\_\_ as Assistant Treasurer of the corporation, each for a term that begins immediately upon adoption of this resolution and ends when such person's successor has been appointed, such person resigns from such position, his employment with USAC terminates for whatever reason, or such person is removed by the CEO or by resolution of the Board.



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

**ACTION ITEM**

**Approval of 2019 Audit Committee Charter**

*Same as aAC03*

**Action Requested**

In accordance with USAC's Audit Committee Charter (Charter), Section III.A.1, the Audit Committee (Committee) of the USAC Board of Directors (Board) is required to review and reassess the adequacy of the Charter at least annually, and recommend changes, as deemed necessary, to the Board.

**Discussion**

USAC Audit and Assurance Division (AAD) staff and Committee members reviewed the Charter to determine if any changes should be recommended to the Committee and the Board of Directors for consideration.

AAD proposes updating the Charter to reflect the division name change from Internal Audit Division to AAD. High level changes to the Charter recommended by the Committee for discussion at the January quarterly meeting include: 1) providing that the Committee's duties and responsibilities include the annual development of an Audit Plan (to be named at the meeting), in consultation with the Vice President of AAD, to verify USAC's financial and operational integrity; 2) providing that the Committee may request additional operational or financial audits from time to time; 3) providing for Committee review and approval of the AAD Charter, as well as any significant changes to the Audit Plan, as needed; 4) providing for Committee review and approval of material changes to the role and/or responsibilities of the Vice President of AAD; and 5) providing for Committee review of reports of whistleblower complaints received by the Vice President of AAD.

**Attachment A** provides a clean copy of the Charter with the recommended changes; and **Attachment B** provides a redline copy of the existing Charter marked to show the recommended changes.

The Committee recommends that the Board approve the revised Charter.

**Recommended USAC Audit Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Audit Committee, having reviewed the current Audit Committee Charter and the proposed changes presented by the USAC Audit and Assurance Division, recommends that the USAC Board of Directors approve the revised Audit Committee Charter.

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors, having reviewed the current Audit Committee Charter and the proposed changes presented by the USAC Audit and Assurance Division, hereby accepts the recommendation of the Audit Committee and approves the revised Audit Committee Charter.

## ATTACHMENT A

### UNIVERSAL SERVICE ADMINISTRATIVE COMPANY AUDIT COMMITTEE CHARTER

January 2019

- I. Audit Committee Purpose, Duties, and Responsibilities.
  - A. The Audit Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) shall provide assistance to the Board of Directors (Board) in fulfilling the Board's oversight responsibilities relating to corporate accounting, financial reporting practices, internal control, Universal Service Fund program integrity, enterprise risk management, and all aspects of corporate compliance with applicable law.
  - B. The Committee's primary duties and responsibilities shall be as follows:
    1. Oversee management's efforts to maintain the reliability and integrity of USAC's accounting policies and financial reporting practices.
    2. Oversee management's efforts to establish, maintain, and review processes that assure that an adequate system of internal control is functioning within USAC through the execution of operational and Universal Service Fund Beneficiary and Contributor audits and the required annual financial statement audit and agreed upon procedures review.
    3. Oversee management's efforts to establish, maintain, and review processes that assure compliance by USAC with all applicable laws.
    4. Develop and oversee a [ ] Audit Plan to verify USAC's financial and operational integrity.
    5. Provide an avenue of communication between USAC's independent financial statement auditors, USAC management (including but not limited to the Chief Executive Officer, the Vice President of Finance and Chief Financial Officer, the Vice President and General Counsel, and the Vice President of each USAC programmatic division), the Vice President of Audit and Assurance, and the Board.
    6. Provide insight and recommendations to establish cost effective Universal Service Fund strategic audit plans that include a focus on high risk areas as identified through audit results and data analytics. Also, assist USAC by providing solutions to mitigate common audit findings and suggestions to build a more collaborative audit experience for Universal Service Fund participants.

## II. Audit Committee Composition, Appointment, and Meetings.

### A. Composition

1. The Committee shall consist of five Board members:
  - a. At least one representative from each of the three programmatic committees of the Board (the High Cost & Low Income Committee, the Rural Health Care Committee, and the Schools & Libraries Committee). The Chairperson of the Audit Committee will serve as a member of the Executive Committee.
  - b. Two at-large Board members.
  - c. At least one Committee member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.
2. Each member of the Committee shall meet each of the following independence requirements:
  - a. Is not and has not been employed in an executive capacity by USAC for at least five years prior to appointment to the Committee.
  - b. Is not an advisor or consultant to USAC, and does not have a personal services contract or other business relationship with USAC.
  - c. Is not a spouse, parent, sibling, child, or in-law of any person described in the preceding two clauses of this paragraph or of any member of USAC management.

### B. Appointment

1. The members of the Committee shall be appointed annually by the Board. Each member shall hold office until he/she resigns, is removed or until a successor is appointed by the Board.
2. The Board shall appoint one of the members of the Committee as Chair and another as Vice Chair.

### C. Meetings

1. The Committee shall meet at least quarterly and at such other times as the Committee deems necessary.
2. The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of Audit and Assurance, and representatives of the independent financial auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

3. The Committee may direct any member of the Board, officer, or employee of USAC or advisor to USAC, including outside counsel or independent auditors, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall advise the Board of all such special meetings either prior to the meeting or promptly thereafter.

### III. Responsibilities and Duties

#### A. Review of Documents, Reports, and Assessments

1. Review and reassess, at least annually, the adequacy of the Committee Charter and make recommendations to the Board, as deemed necessary.
2. Review, in conjunction with management and representatives of the independent auditing firm retained by USAC, the annual financial statements and the audit reports included with those statements and the annual agreed upon procedures review report.
  - a. Discuss with management and the independent auditors significant issues regarding accounting principles, practices, and judgments.
  - b. Discuss any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
  - c. Discuss any significant exceptions in the agreed upon procedures review report.
3. Annually develop and approve a [REDACTED] Audit Plan in consultation with the Vice President of Audit and Assurance. In addition to projects outlined in the [REDACTED] Audit Plan, the Committee may from time to time request additional specific operational and/or financial audits.
4. Review USAC financial, operational and compliance audit reports prepared by the independent auditors or the Audit and Assurance Division and management's response thereto.
5. Review, at least annually, a summary report of common audit findings concerning Universal Service Fund beneficiary and contributor audits performed under the Universal Service Fund Beneficiary and Contributor Audit Program.
  - a. Discuss audit results to highlight areas of high risk for consideration in developing future Universal Service Fund audit plans; identify FCC rules that may require revision to improve compliance among beneficiaries and contributors; and propose suggestions for improving audit efficiency among beneficiaries and contributors.



- a. All significant accounting policies and practices to be used.
  - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditing firm.
  - c. Other written communications between the independent auditors and management, such as any management letter or schedule of adjusted differences.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of the USAC financial statements, and management's response thereto.
- D. Oversight of the Operational Reporting Process, Agreed-Upon Procedures Review
1. In consultation with the independent auditing firm(s) retained by USAC and the Vice President of Audit and Assurance, review the integrity of internal controls and operating procedures and any exceptions identified in the agreed-upon procedures reviews.
  2. Review changes to USAC's internal controls or operating procedures and practices for consistency with suggestions of an independent auditing firm retained by USAC, management, or the Vice President of Audit and Assurance.
  3. Ensure and oversee timely reports from the independent auditing firm(s) retained by USAC to the Audit Committee.
  4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of USAC's agreed upon procedures report and management's response thereto.
- E. Oversight of Audit and Assurance Division
1. Review and approve the Audit and Assurance Division Charter, organizational structure, budget, activities, and significant changes to the [ ] Audit Plan, as needed.
  2. Review and approve the appointment, replacement, reassignment or material changes in the role and/or responsibility of the Vice President of Audit and Assurance Division.

3. Review the effectiveness of the internal audit activities, including compliance with Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States (2011 revision) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
  4. Review reports of whistleblower complaints received by the Vice President of Audit and Assurance. Such reports shall be prepared jointly by the Vice President of Audit and Assurance and USAC's Office of General Counsel.
- F. Assessment of Internal Controls, Annual Report on Internal Controls
1. Review with management, the independent auditors, and the Vice President of Audit and Assurance the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimize such risks and exposures to the Company.
  2. Review with management, the independent auditors, and the Vice President of Audit and Assurance the adequacy of the Company's system of internal controls as noted in the Annual Report on Internal Controls as issued by the independent auditing firm.
  3. Establish and maintain procedures for the following activities:
    - a. The receipt, retention, and treatment of complaints received by USAC regarding accounting, internal controls, operating procedures, or auditing matters.
    - b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- G. Compliance With Applicable Law
1. In consultation with the Vice President and General Counsel, review at least annually any legal matters that could have a significant effect on the USAC's operations, financial statements, and reports received from regulators.
  2. In consultation with the Vice President and General Counsel, review the processes established to assure compliance by USAC with all applicable laws.
  3. Review the results of any investigations concerning waste, fraud, abuse, and/or accounting irregularities and make recommendations for remedial action, if appropriate.



#### H. Other Responsibilities of the Audit Committee

1. Periodically report to the Board through the Committee Chair or pursuant to other means acceptable to the Board.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Perform any other activities consistent with the Committee Charter, USAC's By-laws, and applicable laws, as the Committee or the Board deems appropriate.
4. When deemed appropriate by the Committee, the Committee will retain outside legal, accounting, or other advisors or consultants to advise and assist the Committee, without needing to seek approval for the retention of such advisors or consultants from the Board, *provided* that the cost is less than \$250,000 in any single calendar year. If the cost for such purpose exceeds \$250,000 in a calendar year, the Committee shall obtain Board approval before engaging or continuing to engage an outside advisor or consultant.

#### IV. Limitations on Responsibilities and Duties of Audit Committee Members and Audit Committee

- A. The responsibility of the Committee is oversight. USAC management is responsible for the USAC financial statements as well as financial reporting processes, principles, and internal controls. The independent auditing firm(s) retained by USAC is/are responsible for performing audits of the annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and other procedures. The members of the Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting.
- B. Each member of the Committee shall be entitled reasonably to rely on the following:
  1. The integrity of those persons within USAC and of the professionals and experts (such as the independent auditors) who provide professional advice and information to the Committee and/or USAC.
  2. The accuracy of the financial and other information provided to the Committee by such persons, professionals, or experts, absent actual knowledge to the contrary.
- C. Pursuant to USAC By-Laws and FCC rules, the programmatic committees of the Board have the authority for the performance of audits of beneficiaries of the respective support mechanisms and the full Board has the authority for the performance of audits of contributors to the Universal Service Fund. The Audit

Committee shall provide advice and assistance to the programmatic committees in support of the primary role of the programmatic committees with respect to audits of beneficiaries and the Board with respect to audits of contributors.

V. Procedures for Discussing Matters in *Executive Session*

- A. In general, any USAC Board member may attend any meeting of the Committee, including *Executive Sessions*, as an observer, even though the person is not a member of the Audit Committee. The exceptions to this general rule are as follows:
1. Where the Board member is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the conflict of interest, the Committee or any member thereof may raise the issue for consideration. The Board member may self-recuse from the meeting or, upon the vote of the Committee, be excluded from the relevant portion of the *Executive Session* of the Committee meeting.
  2. Where a Board member seeking to attend an *Executive Session* of the Committee is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the actual or the potential conflict of interest, the Committee or any member thereof may raise the issue for consideration. Where disclosure and/or discussion of the specific issue or potential conflict of interest would compromise the integrity of the Universal Service Fund, the Committee shall exclude all persons other than Audit Committee members.
  3. Where the Committee wishes to meet with USAC's independent auditing firm, the Vice President of Audit and Assurance, the Vice President and General Counsel, the Vice President of Finance and Chief Financial Officer, and/or other representatives to discuss or seek assurances concerning any significant difficulties encountered during the course of a review or audit, including any restrictions on the scope of work or access to required information, or matters of a similar nature, and/or engaged in the preliminary assessment of any investigation, the Committee may exclude Board members who are not members of the Committee from attending the relevant portion of the *Executive Session* of the Committee meeting.

**ATTACHMENT B**

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY  
AUDIT COMMITTEE CHARTER**

January 2018

- I. Audit Committee Purpose, Duties, and Responsibilities
- A. The Audit Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) shall provide assistance to the Board of Directors (Board) in fulfilling the Board's oversight responsibilities relating to corporate accounting, financial reporting practices, internal control, Universal Service Fund program integrity, enterprise risk management, and all aspects of corporate compliance with applicable law.
- B. The Committee's primary duties and responsibilities shall be as follows:
1. Oversee management's efforts to maintain the reliability and integrity of USAC's accounting policies and financial reporting practices.
  2. Oversee management's efforts to establish, maintain, and review processes that assure that an adequate system of internal control is functioning within USAC through the execution of operational and Universal Service Fund Beneficiary and Contributor audits and the required annual financial statement audit and agreed upon procedures review.
  3. Oversee management's efforts to establish, maintain, and review processes that assure compliance by USAC with all applicable laws.
  - ~~3-4.~~ Develop and oversee a [REDACTED] Audit Plan to verify USAC's financial and operational integrity.
  - ~~4-5.~~ Provide an avenue of communication between USAC's independent financial statement auditors, USAC management (including but not limited to the Chief Executive Officer, the Vice President of Finance and Chief Financial Officer, the Vice President and General Counsel, and the Vice President of each USAC programmatic division), the Vice President of ~~Internal Audit~~ and Assurance, and the Board.
  - ~~5-6.~~ Provide insight and recommendations to establish cost effective Universal Service Fund strategic audit plans that ~~are include a focused~~ on high risk areas as identified through audit results and data analytics. Also, assist USAC by providing solutions to mitigate common audit findings and suggestions to build a more collaborative audit experience for Universal Service Fund participants.

## II. Audit Committee Composition, Appointment, and Meetings

### A. Composition

1. The Committee shall consist of five Board members:
  - a. At least one representative from each of the three programmatic committees of the Board (the High Cost & Low Income Committee, the Rural Health Care Committee, and the Schools & Libraries Committee). The Chairperson of the Audit Committee will serve as a member of the Executive Committee.
  - b. Two at-large Board members.
  - c. At least one Committee member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.
2. Each member of the Committee shall meet each of the following independence requirements:
  - a. Is not and has not been employed in an executive capacity by USAC for at least five years prior to appointment to the Committee.
  - b. Is not an advisor or consultant to USAC, and does not have a personal services contract or other business relationship with USAC.
  - c. Is not a spouse, parent, sibling, child, or in-law of any person described in the preceding two clauses of this paragraph or of any member of USAC management.

### B. Appointment

1. The members of the Committee shall be appointed annually by the Board. Each member shall hold office until he/she resigns, is removed or until a successor is appointed by the Board.
2. The Board shall appoint one of the members of the Committee as Chair and another as Vice Chair.

### C. Meetings

1. The Committee shall meet at least quarterly and at such other times as the Committee deems necessary.
2. The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of ~~Internal~~ Audit and Assurance, and representatives of the independent financial auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

3. The Committee may direct any member of the Board, officer, or employee of USAC or advisor to USAC, including outside counsel or independent auditors, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall advise the Board of all such special meetings either prior to the meeting or promptly thereafter.

### III. Responsibilities and Duties

#### A. Review of Documents, Reports, and Assessments

1. Review and reassess, at least annually, the adequacy of the Committee Charter and make recommendations to the Board, as deemed necessary.
2. Review, in conjunction with management and representatives of the independent auditing firm retained by USAC, the annual financial statements and the audit reports included with those statements and the annual agreed upon procedures review report.
  - a. Discuss with management and the independent auditors significant issues regarding accounting principles, practices, and judgments.
  - b. Discuss any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
  - c. Discuss any significant exceptions in the agreed upon procedures review report.
3. ~~Review Annually develop and approve a [ ] Audit Plan in consultation with the Vice President of Audit and Assurance. In addition to projects outlined in the [ ] Audit Plan, the Committee may from time to time request additional specific operational and/or financial audits, and approve, in conjunction with management and the Vice President of Internal Audit and Assurance, the USAC Corporate Internal Assurance Audit Plan and assess the adequacy of the audit coverage outlined in the USAC Corporate Internal Audit Assurance Plan that will be presented to the Committee for approval.~~
4. Review USAC financial, operational and compliance audit reports prepared by the independent auditors or the ~~Internal Audit and Assurance~~ Division and management's response thereto.
5. Review, at least annually, a summary report of common audit findings concerning Universal Service Fund beneficiary and contributor audits performed under the Universal Service Fund Beneficiary and Contributor Audit Program.
  - a. Discuss audit results to highlight areas of high risks for consideration in developing future Universal Service Fund audit plans; identify; FCC rules

**Commented [GF1]:** Joe: I believe that we need to think about the Corporate Assurance Audit (are things working as intended) as a distinct area of responsibility from the consideration of enterprise risks. It is unclear to me that the enterprise risk oversight is best assigned to the Committee or assigned to the Board overall. But how Enterprise Risk is addressed (a topic that I have not formed a strong opinion about), my principal goal with this edit is to make it clear that the Committee has a clearly defined and independent investigatory/audit oversight role.

Beth: How are key areas for Cte. consideration in the [Plan] identified and by whom?

Geoff: I'd like to include a process by which the Committee may invite senior management to identify or suggest key areas that the Committee may consider when it develops its annual Plan.

- that may require revision to improve compliance among beneficiaries and contributors; and [propose](#) suggestions for improving audit efficiency among beneficiaries and contributors.
- b. Provide insight to the ~~Internal~~-Audit [and Assurance](#) Division by providing suggested approaches to avoid common audit challenges and solutions to build a more collaborative audit experience for Universal Service Fund participants.
  6. Review with management, the independent or external auditors, and the Vice President of ~~Internal~~-Audit [and Assurance](#) any significant findings of the reports, management's response thereto, and any significant difficulties encountered during the course of the review or audit, including any restrictions on the objectives or scope of work or access to required information.
- B. Oversight of Independent Auditing Firm(s) Retained by USAC for the Annual Financial and Agreed-Upon Procedures Review
1. Initially select, periodically evaluate (at least annually), and replace as necessary the independent auditing firm(s) retained by USAC for the Annual Financial and Agree-Upon Procedures review, subject to the requirement to obtain the approval of the Board for expenditures in excess of the amount set forth in Section III.H.4. of this Audit Committee Charter, *provided*, however, that nothing herein shall affect the authority of the programmatic committees of the Board to select, evaluate, and replace independent auditing firms with respect to the audits of beneficiaries and contributors of the universal service support mechanisms when deemed necessary by the Committee or the Vice President of ~~Internal~~-Audit [and Assurance](#).
  2. Oversee the independence of the independent auditing firm(s) retained by USAC by reviewing and discussing with each auditor a formal written statement concerning their independence and the nature of the relationship, if any, between the auditor and the USAC.
  3. Approve any significant non-audit related services to be provided by an independent auditing firm retained by USAC.
- C. Review and Oversight of USAC's Financial Reporting Process, Financial Statement Audit
1. Review the integrity of ~~the~~-USAC's financial reporting process, at least annually, in consultation with: (i) the independent auditing firm(s) retained by USAC, (ii) the Vice President of Finance and Chief Financial Officer, and (iii) the Chief Executive Officer.
  2. Review significant changes to USAC's auditing and accounting principles and practices as suggested by an independent auditing firm retained by USAC, the

Vice President of Finance and Chief Financial Officer, or the Vice President of ~~Internal-Audit~~ and Assurance.

3. Require and timely review reports from the independent auditing firm(s) retained by USAC relating to the following:
  - a. All significant accounting policies and practices to be used.
  - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditing firm.
  - c. Other written communications between the independent auditors and management, such as any management letter or schedule of adjusted differences.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of ~~Internal-Audit~~ and Assurance in connection with the preparation of the USAC financial statements, and management's response thereto.

Commented [GF2]: Beth: added for consistency with the second part of the paragraph

D. Oversight of the Operational Reporting Process, Agreed-Upon Procedures Review

1. In consultation with the independent auditing firm(s) retained by USAC and the Vice President of ~~Internal-Audit~~ and Assurance, review the integrity of internal controls and operating procedures and any exceptions identified in the agreed-upon procedures reviews.
2. Review changes to USAC's internal controls or operating procedures and practices as suggested by for consistency with suggestions of an independent auditing firm retained by USAC, management, or the Vice President of ~~Internal-Audit~~ and Assurance.
3. Ensure and oversee timely reports from the independent auditing firm(s) retained by USAC to the Audit Committee.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of ~~Internal-Audit~~ and Assurance in connection with the preparation of USAC's agreed upon procedures report and management's response thereto.

Commented [GF3]: Beth

E. Oversight of ~~Internal-Audit~~ and Assurance Division

1. Review and approve the ~~Internal-Audit~~ and Assurance Division Charter, organizational structure, budget, activities, and significant changes to the ~~Internal-Audit~~ Corporate Assurance | Audit Plan, as needed.

Commented [GF4]: Geoff: Should we refer to both the Corporate Assurance Plan and to the Committee's [Plan]?

2. Review and approve the appointment, replacement, ~~or~~ reassignment or material changes in the role and/or responsibility of the Vice President of ~~Internal-Audit and Assurance Division~~.

**Commented [GF5]:** Joe. This edit is probably unnecessary as (to me) it is included in the "appointment, replacement or reassignment," but given the unique relationship between the Audit and Assurance VP and the Committee it seemed worth adding.

3. Review the effectiveness of the internal audit activities, including compliance with Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States (2011 revision) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

**Commented [GF6]:** Beth: Latest version?

4. ~~Receive-Review~~ reports of whistleblower complaints received by the Vice President of ~~Internal-Audit and Assurance~~. Such reports shall be prepared jointly by the Vice President of ~~Internal-Audit and Assurance~~ and USAC's Office of General Counsel.

**Commented [GF7]:** Joe. Separate from the discussion here, we need to address the process for whistleblower complaints received by OGC. At the time this Charter was first written, all whistleblower complaints were lodged with Audit. As such, there was a mechanism to inform the Board (or at least somebody on the Board). We no longer have a process (that I am aware of) and the Board needs to establish one. I will raise with Joel and this is (by definition) beyond Audit alone.

#### F. Assessment of Internal Controls, Annual Report on Internal Controls

1. Review with management, the independent auditors, and the Vice President of ~~Internal-Audit and Assurance~~ the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimize such risks and exposures to the Company.
2. Review with management, the independent auditors, and the Vice President of ~~Internal-Audit and Assurance~~ the adequacy of the Company's system of internal controls as noted in the Annual Report on Internal Controls as issued by the independent auditing firm.
3. Establish and maintain procedures for the following activities:
  - a. The receipt, retention, and treatment of complaints received by USAC regarding accounting, internal controls, operating procedures, or auditing matters.
  - b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### G. Compliance With Applicable Law

1. In consultation with the Vice President and General Counsel, review at least annually any legal matters that could have a significant effect on the USAC's operations, financial statements, and reports received from regulators.
2. In consultation with the Vice President and General Counsel, review the processes established to assure compliance by USAC with all applicable laws.
3. Review the results of any investigations concerning waste, fraud, abuse, and/or accounting irregularities and make recommendations for remedial action, if appropriate.

**Commented [GF8]:** Beth: How are high risk areas identified and analyzed for potential impacts to the programs, USAC generally and its reputation?



H. Other Responsibilities of the Audit Committee

1. Periodically report to the Board through the Committee Chair or pursuant to other means acceptable to the Board.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Perform any other activities consistent with the Committee Charter, USAC's By-laws, and applicable laws, as the Committee or the Board deems appropriate.
4. When deemed appropriate by the Committee, the Committee will retain outside legal, accounting, or other advisors or consultants to advise and assist the Committee, without needing to seek approval for the retention of such advisors or consultants from the Board, *provided* that the cost is less than \$250,000 in any single calendar year. If the cost for such purpose exceeds \$250,000 in a calendar year, the Committee shall obtain Board approval before engaging or continuing to engage an outside advisor or consultant.

IV. Limitations on Responsibilities and Duties of Audit Committee Members and Audit Committee

- A. The responsibility of the Committee is oversight. USAC management is responsible for the USAC financial statements as well as financial reporting processes, principles, and internal controls. The independent auditing firm(s) retained by USAC is/are responsible for performing audits of the annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and other procedures. The members of the Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting.
- B. Each member of the Committee shall be entitled reasonably to rely on the following:
  1. The integrity of those persons within USAC and of the professionals and experts (such as the independent auditors) who provide professional advice and information to the Committee and/or USAC.
  2. The accuracy of the financial and other information provided to the Committee by such persons, professionals, or experts, absent actual knowledge to the contrary.
- C. Pursuant to USAC By-Laws and FCC rules, the programmatic committees of the Board have the authority for the performance of audits of beneficiaries of the respective support mechanisms and the full Board has the authority for the performance of audits of contributors to the Universal Service Fund. The Audit

Committee shall provide advice and assistance to the programmatic committees in support of the primary role of the programmatic committees with respect to audits of beneficiaries and the Board with respect to audits of contributors.

Commented [GF9]: Should there be a provision for oversight of contributor audits?

Commented [AAD10R9]: Yes. Good catch!

V. Procedures for Discussing Matters in *Executive Session*

- A. In general, any USAC Board member may attend any meeting of the Committee, including *Executive Sessions*, as an observer, even though the person is not a member of the Audit Committee. The exceptions to this general rule are as follows:
1. Where the Board member is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the conflict of interest, the Committee or any member thereof may raise the issue for consideration. The Board member may self-recuse from the meeting or, upon the vote of the Committee, be excluded from the relevant portion of the *Executive Session* of the Committee meeting.
  2. Where a Board member seeking to attend an *Executive Session* of the Committee is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the actual or the potential conflict of interest, the Committee or any member thereof may raise the issue for consideration. Where disclosure and/or discussion of the specific issue or potential conflict of interest would compromise the integrity of the Universal Service Fund, the Committee shall exclude all persons other than Audit Committee members.
  3. Where the Committee wishes to meet with USAC's independent auditing firm, the Vice President of ~~Internal Audit~~ and Assurance, the Vice President and General Counsel, the Vice President of Finance and Chief Financial Officer, and/or other representatives to discuss or seek assurances concerning any significant difficulties encountered during the course of a review or audit, including any restrictions on the scope of work or access to required information, or matters of a similar nature, and/or engaged in the preliminary assessment of any investigation, the Committee may exclude Board members who are not members of the Committee from attending the relevant portion of the *Executive Session* of the Committee meeting.

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

**ACTION ITEM**

**Reaffirming USAC Employee Ethics Standards**

**Action Requested**

The ethical standards for USAC employees (Ethical Standards) adopted by the USAC Board of Directors (Board) require that the Board review the Ethical Standards at least biennially to determine their adequacy, evaluate compliance, and revise the statement as appropriate.<sup>1</sup> Because it has been two years since the last Board review, USAC management requests that the Board review the Ethical Standards and modify them as it deems appropriate.

**Discussion**

The USAC-FCC Memorandum of Understanding dated December 19, 2018 requires USAC to maintain an ethics policy and report any modifications to the FCC. Pursuant to the Ethical Standards adopted by the Board, the Board must review the Ethical Standards every two years.

The current Ethical Standards for employees are included in the USAC Employee Handbook and consist of the *USAC Statement of Ethical Conduct* and five appendices.<sup>2</sup>

**Affirmation of the Current Ethical Standards**

The USAC General Counsel and the USAC Ethics Officer recommend that the Ethical Standards be affirmed by the Board with the minor editorial changes shown in Attachment A. The minor edits relate to the following: (a) correcting the name of the USAC Travel Expenses Policy; (b) rewording the disclosure section to indicate that employee disclosure forms are filed with the USAC Human Resources Division and that disclosure of seeking outside employment forms are filed with the USAC Ethics Officer; (c) correcting references to “employees,” where appropriate, to include reference to “affiliated parties;” and (d) removing the now obsolete “transition provision.”

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<sup>1</sup> The Board previously reviewed and modified the standards in October 2000, 2002 and 2004, reaffirmed the standards without modification in 2006, 2008, 2010, 2013, and 2015, and reviewed and revised the standards in 2017.

<sup>2</sup> The five appendices consist of (1) Employee Disclosure Form, (2) Disclosure of Employment Discussions Form, (3) Definition of Prohibited Gifts, (4) Guidance on Outside Employment and Board Memberships, and (5) Form Confidentiality Agreement.

### Experience and Compliance with Current Ethical Standards

USAC senior management and staff continue to be diligent concerning ethical issues. Since the Board last reviewed the Ethical Standards, the USAC Ethics Officer, General Counsel, and Human Resources Division have focused on ethics outreach and trainings regarding conflicts of interest.

In addition, during the last two years, the USAC Ethics Officer began posting a periodic newsletter, *Ethical USAC*, on the company's intranet. The newsletter has covered topics such as ethical issues arising during the holiday season; issues arising when an employee seeks new employment and leaves USAC; and outside employment while working at USAC.

The Ethics Officer also reviews all employee disclosure forms that indicate any potential conflict of interest; addresses issues arising from gifts to employees, including attendance at events; and reviews employee requests for approval of outside employment and memberships on boards of various other institutions.

The Human Resources Division, working with the General Counsel and the Ethics Officer, conducts annual mandatory refresher ethics training for all employees. Currently, the training is completed online, but in-person training for senior leadership and managers is under consideration. In addition, the Human Resources Division is working with the General Counsel and Ethics Officer to roll out additional ethics communications to reinforce USAC's commitment to ethical standards of behavior.

### Recommendation

The USAC General Counsel and the USAC Ethics Officer recommend that the Board reaffirm the *USAC Statement of Ethical Conduct* with the minor editorial changes shown in **Attachment A**.

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

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors accepts the recommendation of the USAC General Counsel and hereby adopts the editorial revisions to the January 2017 version of the *USAC Statement of Ethical Conduct*.

ATTACHMENT

Attachment A: Revised *USAC Statement of Ethical Conduct*

Briefing book excludes all materials discussed in Executive Session.

**ACTION Item #aBOD05**

**Attachment A**

**1/29/19**

**Attachment A**

**Statement of Ethical Conduct for  
USAC Employees**



ATTACHMENT A TO BOARD PAPER

USAC Statement of Ethical Conduct	
Purpose	To provide employees with guidance on ethics matters
Division – Department	USAC
Policy Owner	USAC General Counsel
Policy Maintainer	USAC General Counsel
Effective Date	January 31, 2017
Status	(X) Final () Draft

Applicable Rules, Regulations, and Standards

Memorandum of Understanding (MOU) dated December 19, 2018 & May 2, 2016, between USAC and the Federal Communications Commission.

Conflicts of Interest rules found in the general procurement rules, 2 CFR § 200.318.

Definitions

Affiliated Party means (a) the Employee’s spouse, immediate family, or relatives; or (b) other persons with whom the Employee has a sustained and substantive relationship that could interfere with the Employee’s ability to prioritize the interests of USAC over the other person’s interests.

Ethics Officer means the Vice President and General Counsel, or his or her designee within the Office of the General Counsel.

Persons Affected

All USAC employees.

Purpose

USAC’s mission is to achieve universal service. This Statement of Ethical Conduct, also referred to herein as the Policy, provides employees with an ethical roadmap to help navigate implementing USAC’s mission in practice: conserving company resources, avoiding conflicts of interest, maintaining public confidence, and maintaining confidential information.

For those Employees who also are subject to standards imposed by their discipline (e.g., accounting ethical standards or legal ethical standards) or their position in USAC, this Policy applies in addition to any such additional standards. Employees should direct any questions concerning the ethics standards set forth herein to the Ethics Officer.



## Policy

1. Conserving Company Resources
  - a. Each Employee has a continuing obligation to protect and conserve all corporate resources. This obligation means that Employees should expend corporate resources in the best interests of USAC and in accordance with the policies and procedures established by USAC, as well as all applicable law.
  - b. Each Employee has a continuing fiduciary duty of loyalty and care in the management of USAC's resources. An employee acts in violation of that duty under the following circumstances:
    - The Employee is in a supervisory role and fails to use diligence in supervising the actions of other Employees;
    - The Employee is in a contract management role and fails to use diligence in supervising outside experts or contractors being paid using USAC funds; or
    - The Employee fails to perform his or her duties honestly, in good faith, and with reasonable diligence and care.
2. Maintaining Public Confidence.
  - a. USAC is charged with managing universal service funds in a manner that preserves the confidence in USAC of both the FCC and the public at large. To that end, Employees will not engage in any conduct that might reasonably give the appearance of the following:
    - The compromise or loss of complete impartiality of judgment and action, as further set forth in point 3 below.
    - The making or implementation of a corporate decision outside of standard corporate policies and procedures.
3. Avoiding Conflicts of Interest
  - a. *Prohibited Transactions*
    - i) No Employee will knowingly permit USAC to enter into a business transaction with: (A) any entity in which the Employee holds a position or is a substantial shareholder or beneficial owner; or (B) any entity in which an Affiliated Party holds a position or is a substantial shareholder or beneficial owner. An exception to this rule exists only when the Employee has obtained written consent of the Ethics Officer.
    - ii) No Employee will solicit or accept, directly or indirectly, for personal benefit or for the benefit of any Affiliated Party, anything of substantial monetary value (including any gift, gratuity, favor, entertainment, loan, or any other consideration) from any entity which has, or is seeking, a contractual, donative, employment, financial, or other beneficial relationship with USAC, which relationship may subsequently affect or influence the Employee's performance of his or her duties to USAC or the Employee's loyalty to USAC or discharge of responsibilities with uncompromised integrity. (See Annex C, Definition of Gifts Prohibited.)



b. *Outside Employment and Investments*

- i) No Employee shall receive any salary or other compensation from any source other than USAC during the period of his or her employment by USAC without the prior written consent of the employee's division head, in consultation with the Ethics Officer. If a request for outside employment or board membership is approved, the Employee has an obligation to immediately notify his or her division head and the Ethics Officer if the nature of the employment or board membership changes in any manner (including, without limitation, receipt of compensation) that was not comprehensively described in the original written request submitted for employment or board membership.

In no event may an Employee of USAC receive any salary or compensation from an entity that has a Universal Service Fund reporting obligation or is a beneficiary or service provider (or subcontractor to a service provider) to a universal service support mechanism.

Employees engaged in post-employment discussions must disclose such discussions consistent with point 5.c below.

Annex D provides additional information regarding the process for obtaining Ethics Officer consent for outside employment.

- ii) No Employee may have direct or indirect financial interests, or engage in any outside activities, which conflict substantially, or have the appearance of conflicting substantially, with his or her corporate responsibilities and duties. In determining whether there is a substantial conflict, the Ethics Officer will consider: the magnitude of an Employee's financial interest, the degree of policy making authority of the Employee in USAC, and the potential effect actions or inactions by USAC could have on such financial interests.

- This Policy presumes that the following do not present a conflict or the appearance of a conflict: financial interests of less than \$15,000 in any one entity;
- financial interests of less than one percent of the total equity of an entity; or
- investments in a mutual fund with a broad range of holdings, including securities in entities that could be affected by the activities of USAC.

c. *Travel*

- i) No Employee will solicit or accept for his or her personal benefit, or for the benefit of an Affiliated Party, payment from any entity other than USAC for expenses incurred while traveling on behalf of USAC. However, with the advance approval of the Ethics Officer, an entity may reimburse USAC for the





travel expenses of a Company Employee to participate in training seminars, industry association meetings, or other events where USAC's management determines that such participation is in the best interest of USAC. (See USAC's Business and Travel Expenses Policy, Section 400 of USAC Representatives Eligible for Reimbursement and Procedures for Approving Acceptance of Travel Reimbursement from Outside Sources for additional details.)

4. Maintaining Confidential Information

- a. Consistent with the MOU and each Employee's USAC Confidentiality Agreement (attached hereto as Annex D), no Employee will make use of, or permit others to make use of, any information not generally available to the public and obtained as a result of his or her relationship with USAC, whether for direct personal gain or for the benefit of any Affiliated Party. This prohibition includes any Employee use of trademarked or otherwise protected information in furtherance of personal or professional goals, without prior written consent of the Ethics Officer.
- b. The foregoing obligation to protect confidential information continues even when the Employee ceases employment.
- c. No Employee may engage, directly or indirectly, in financial, business, trade, or professional transactions as a result of, or in primary reliance upon, information obtained through his or her employment, or the discharge of his or her corporate responsibilities.

5. Disclosures and Procedures; Accountability

a. *Ethical Disclosure*

- i) Each new Employee of USAC shall, within the first week of employment, file with designated USAC management a written disclosure in the form of Annex A of current and prior (within the past five years) employment with, or financial interest of himself, herself, or an Affiliated Party in, any of the following: a telecommunications or Internet service provider, communications common carrier, educational institution, rural health care provider, or other organizations having an interest in the Universal Service Fund or the universal service support mechanisms. If the Employee has any change in circumstances that would trigger a requirement to disclose, an updated disclosure statement must be filed within five business days of an Employee's change in circumstance. All Employees must file with designated USAC management Chief Executive Officer an updated disclosure statement by June 30 of every year and complete an annual briefing training on — Employee ethical obligations provided by USAC.

b. *Confidentiality Agreement*

As a condition of employment, an Employee shall execute the USAC Employee Confidentiality Agreement attached as Annex C within five business days of starting work at USAC.

c. *Notification of Outside Employment*

- i) Each Employee shall promptly file with the Ethics Officer a written disclosure in the form of Annex B outlining any discussion of potential employment with any person or entity which has, or is seeking, a contractual, donative, business,



financial, or other beneficial relationship with USAC, or that may be substantially affected by that Employee's performance of his or her duties to USAC. The Employee filing such disclosure of discussion of potential employment shall review with the Ethics Officer the matters he or she is working on, and the Ethics Officer shall determine whether that Employee must recuse himself or herself from any of those matters because of the conflict or potential conflict they may present because of the discussion of potential employment.

- ii) The conduct or interests of individual Employees may be further or otherwise reasonably restricted in light of special circumstances, duties, or responsibilities. Such restrictions shall be transmitted to the individual in writing by the Chief Executive Officer upon recommendation of the Ethics Officer and shall be subject to review by the Board of Directors or a committee of the Board, upon written application by the individual.
- d. *Process*
- i) All annual ethics disclosures will be submitted to Human Resources. The Ethics Officer will review all ethics disclosures to ensure compliance with this Policy.
  - ii) If a disclosure is required by this Policy, the Ethics Officer will provide the Employee with written guidance in response to such disclosure. The Employee is entitled to rely on such guidance to ensure compliance with this Policy.
- e. *Accountability*
- i) Any Employee violating any provision of this Statement of Ethical Conduct for Employees will be subject to disciplinary action, up to and including termination.

## Review of Policy

The Board of Directors shall review, at least biennially, this Statement of Ethical Conduct for Employees and Officers to determine its adequacy, evaluate compliance, and revise the statement as appropriate.

### Transitional Provisions

~~Recognizing that the previous version of this Policy required annual employee ethics disclosures on or before January 31 of each year, employee disclosures from 2016 will be deemed valid until the date on which new disclosures are due pursuant to section 5.a.1 of this Statement of Ethical Conduct,~~

~~However, any other reporting obligations required by this Statement will be effective upon the adoption of this version.~~

### Sub-policies

N/A



ANNEX A:  
STATEMENT OF ETHICAL CONDUCT FOR EMPLOYEES DISCLOSURE FORM

Instructions:

Each employee of the Universal Service Administrative Company (“USAC”) will file with USAC Human Resources the Ethics Officer, and update at least annually, a written disclosure of current and prior (within the past five \_years) employment with, or financial interest in, any of the following: educational institution, health care provider, a telecommunications or Internet service provider, communications common carrier, or other provider, or any vendor, contractors, or consultants that provide goods and/or services to USAC.

Each employee shall also promptly file with designated management the Ethics Officer a written disclosure of discussion of potential employment with any entity which has, or is seeking, a contractual, donative, employment, business, financial, or other beneficial relationship, that may be substantially affected by that employee's performance of his or her duties to the Corporation. \_  
The employee filing a written disclosure of discussion of potential employment shall review with the Ethics Officer the matters he or she is working on for USAC, and the Ethics Officer shall determine whether that employee must recuse himself or herself from any of those matters because of the conflict or potential conflict they may present because of the discussion of potential employment.

Financial Disclosure Forms must be filed by June 30 of every year. In addition, Employees must submit immediately an updated Disclosure Form for any change in circumstances that would trigger a requirement to disclose. USAC reserves the right to request additional information regarding the information provided on the Disclosure Form or subsequent updates, or any written disclosure of discussion of potential employment.\_



Name	Position with USAC
Home Address	Date of Filing
Please list positions currently held as director, officer, Board member, manager, employee, consultant or contractor with any of the following: educational institution, library, health care provider, consortia of any combination of those entities, telecommunications or Internet services provider, communications common carrier, or other telecommunications organization or internal connections provider, or vendors, contractors, or consultants that provide goods and/or services to USAC.	
Entity	Position and description of duties
Please list any telecommunications or Internet services provider, communications common carrier, other telecommunications organizations, or internal connections provider, in which you or your spouse own securities valued at \$15,000 or more or of one (1) percent or more of the total equity of the entity. (You need not list shares in any mutual fund that may include such securities unless the fund is devoted exclusively to investment in such	
Corporation Name	Function of Corporation
Please list any educational institution, library, health care provider, consortia of any combination of those entities, telecommunications or Internet services provider, communications common carrier, or other telecommunications organizations or internal connections provider with which you or your spouse have been employed prior to your employment by USAC. (List only those with which you have been employed in the last five years.)	
Organization	Position and description of duties
I have read USAC's Statement of Ethical Conduct for Employees, Financial Interests, Outside Employment and Board Memberships, Definition of Gifts Prohibited, and Travel Guidelines in the Employee Manual. I understand these documents. I am in compliance with them, and I will continue to abide by them. I certify that to the best of my knowledge and belief, the information given by me in this document is correct and	
Signature	Date

TO BE FILED BY June 30 OF EVERY YEAR. APPROVED BY THE USAC BOARD OF DIRECTORS, October 20, 1998; REVISED AND APPROVED BY USAC BOD, October 24, 2000; REVISED AND APPROVED BY USAC BOARD OF DIRECTORS, **xx}January,**



**Universal Service  
Administrative Co.**

Briefing book excludes all materials discussed in Executive Session.

USAC Policy Document

Last Certified: January XXX, 2019

20197.



ANNEX B: DISCLOSURE OF EMPLOYMENT DISCUSSIONS

Name of Employee	
Name of Potential Employer	
Date Employment Discussions Commenced	
Date of Disclosure	
Signature	
Ethics Officer Notes	
Signature of Ethics Officer	



## ANNEX C: DEFINITION OF GIFTS PROHIBITED

Prohibited gifts include items or services of substantial monetary value -- whether provided in-kind or as an advance payment or reimbursement -- and items or services given indirectly, such as those given to an Employee's relative or affiliated party, or a charity favored by the Employee. Prohibited gifts also include travel, lodging, and meals paid for by a prohibited source (as defined below) that does not otherwise comply with USAC's guidelines for accepting reimbursement for such items.

If an Employee receives a prohibited gift, he or she must return it, pay market value for it, or turn it over to the Company if returning the prohibited gift is impracticable (e.g., a gift of perishable goods).

Gifts specifically do not include the following:

1. Modest items of food not offered as part of a meal (e.g., coffee, soft drinks).
2. Items of little intrinsic value such as greeting cards and plaques.
3. Loans from financial institutions on terms generally available to the public.
4. Benefits and discounts available to the public.
5. Contest prizes available to the public.
6. Pension or other post-employment benefits from a former employer, the terms of which were fixed and certain prior to the Employee's joining the Company.
7. Anything properly paid for by USAC or secured under a USAC contract that is the property of USAC (except that frequent flyer miles and hotel bonus points are the property of the Employees who earn them).

A prohibited source of gifts is a person or entity who matches one of the following criteria:

1. Seeking official action by USAC.
2. Does or seeks to do business with USAC.
3. Has an interest that may be substantially affected by the performance of the USAC representative's duties.
4. Is an organization, the majority of whose members are prohibited sources

The following exceptions are made to the gift ban, though they do not apply to gifts solicited or given in exchange for the use of the Employee's influence:

1. Gifts with a market value of \$20 or less per occasion, up to \$50 per year from any source (there is no exception for gifts of cash or securities).
2. Gifts based on family relations or personal friendships predating affiliation with USAC.
3. Benefits offered to all members of a group to which the Employee belongs.



4. Gifts resulting from the Employee's spouse, other family members, affiliated party, or friend prior to joining USAC's business/employment, or an Employee's permissible outside business/employment activities.
5. Free admission to widely attended gatherings, including admission for the Employee's representative's spouse or guest if others attending will generally be accompanied by guests if: (a) free admission is provided by the event sponsor; (b) the Employee is a speaker at the event; or (c) the Employee's attendance is in USAC's interest and free attendance is provided by the sponsor (or another party if the event is expected to be attended by 100 or more people).
6. Food, refreshments, and entertainment provided at social events other than from prohibited sources where admission is free.





## ANNEX D: OUTSIDE EMPLOYMENT AND BOARD MEMBERSHIP

USAC recognizes its Employees may wish to engage in outside employment, including serving on corporate or non-profit boards, when such employment or board membership does not constitute an actual, potential or apparent conflict of interest. Further, it is USAC's right to assess whether an actual, potential or apparent conflict of interest exists as it pertains to outside employment or board membership by its Employees.

As such, the following rules are intended to:

1. Require and provide a process for any Employee engaged in employment outside USAC or as a member of a corporate or non-profit board to report such outside employment or board membership to USAC.
2. Provide guidelines under which the Ethics Officer will determine whether a specific situation of outside employment or board membership constitutes an actual, potential or apparent conflict of interest.

Outside employment includes all monetarily compensated employment or service on corporate or non-profit boards where some type of compensation is received for such service. Monetary compensation does not include reimbursement for expenses, including per diems provided for expenses of persons performing public service. Approval is not required for volunteer activities performed by an Employee for which the Employee receives no compensation. Employment would not include those activities performed for work or educational credits or reduced fees for organizations, such as Boy or Girl Scouts, athletic organizations, bowling leagues, etc.

As set forth above, no Employee shall receive any salary or other compensation from any source other than USAC during the period of his or her employment by the Company without the prior written consent of the Ethics Officer. In no event may an Employee receive any salary or compensation from an entity that has a Universal Service Fund reporting obligation or is a beneficiary or service provider (or subcontractor to a service provider to a universal service support mechanism).

### Guidelines

The following are examples of activities that shall, in all cases, interfere or conflict with an Employee's full and faithful discharge of his or her duties to USAC:

- Employment by or service on the board of an entity that has a Universal Service Fund reporting obligation or is a beneficiary of or service provider (or subcontractor to a service provider) to a universal service support mechanism.



- Employment by or service on the board of a trade organization that represents entities that have Universal Service Fund reporting obligations or are beneficiaries of or service providers (or subcontractors to service providers) to a universal service support mechanism.
- Employment by or serving on the board of an advocacy group that regularly participates in universal service proceedings at the FCC.

The following are examples of outside activities that have the potential for causing an actual or apparent conflict of interest:

- Employment or service on a board that would impair, or would appear to impair, the employee's ability to be impartial in the administration of the Universal Service Fund and/or the universal service support mechanisms.
- Employment or service on a board where the contact that led to the outside employment was made while the employee was performing USAC business, whether in the office or elsewhere, such that it may constitute a use of the employee's position in pursuit of private activities.
- Employment or service on a board in conjunction with other USAC employees that may conflict with managerial responsibilities, particularly the responsibility to impartially and adequately supervise other employees.
- Employment or service on a board in situations where it would appear that USAC was being represented by the employee, despite a clear statement that the employee is not representing USAC.
- Employment by or service on a board of an entity that had a Universal Service Fund reporting obligation or formerly received universal service support mechanism benefits or was a service provider (or subcontractor to a service provider) to a universal service support mechanism beneficiary during some recent period of the employee's tenure.
- Employment or serving on the board of a consulting firm that counts as clients any entity that has a Universal Service Fund reporting obligation or is a beneficiary of or service provider (or subcontractor to a service provider) to a universal service support mechanism.
- Any other employment that could constitute an actual, potential or apparent conflict of interest.

#### Procedures for Prior Approval Required for Certain Outside Employment

Prior to accepting outside employment or corporate or non-profit board membership where the Employee receives some form of compensation for such employment or service, the employee shall provide the Ethics Officer a written statement describing the nature of the proposed outside employment or board membership. If the Ethics Officer determines that an actual, potential or apparent conflict of interest exists, the employee has the option of withdrawing the request or forwarding it to the next level of supervision, up to and including the CEO, for further determination. If the Ethics Officer determines that no conflict of interest exists, the



employee may proceed with the outside employment activity. In circumstances where the CEO is the approving authority under these rules, the employee may not proceed with the outside employment activity until he or she receives the CEO's approval.

The Ethics Officer shall notify the employee within five business days of receiving the request if the employment is approved. Employees may request placement of approved outside employment requests in their personnel file. If the request is not approved by the Ethics Officer, the Employee may request the USAC Chief Executive Officer, in consultation with the General Counsel, review the request.

If a request for outside employment or board membership is approved, the Employee has an obligation to immediately notify the Ethics Officer if the nature of the employment or board membership changes in any manner (including, without limitation, receipt of compensation) that was not comprehensively described in the original written request submitted for employment or board membership.



## ANNEX E: CONFIDENTIALITY AGREEMENT

1. I recognize and acknowledge that as an employee, director, officer, contractor, subcontractor, consultant, agent, or an employee or other representative thereof (collectively, a “Staff Person”) for the Universal Service Administrative Company (“USAC”), I may have access to Confidential Information, as that term is defined in Appendix A to this Confidential Information Use and Disclosure Agreement (“Confidentiality Agreement”).
2. I acknowledge and agree that I will treat any Confidential Information in the manner set forth in this Confidentiality Agreement. I acknowledge and agree that this obligation applies to the treatment of all Confidential Information to which I obtain access while working as a Staff Person for or on behalf of USAC, regardless of the form of the Confidential Information or the manner in which I obtain access to it. I acknowledge and agree that my obligations with respect to Confidential Information apply to oral and written communications, drafts and final documents, information obtained directly or indirectly, and information obtained pursuant to or outside of my job responsibilities if I obtained the information as a result of my relationship with USAC.
3. I acknowledge and agree that my obligation to treat Confidential Information in the manner set forth in this Confidentiality Agreement will continue even if I am no longer a Staff Person.
4. I acknowledge and agree that I will not use Confidential Information for any purpose other than a legitimate business purpose of USAC.
5. I acknowledge and agree that, except as provided in paragraphs 6 and 7 herein or as authorized by the USAC Chief Executive Officer or the USAC General Counsel, or in either one’s absence, a respective designee, I will not disclose Confidential Information to any person or entity other than:
  - (a) the provider of the Confidential Information at issue, or (b) an authorized Staff Person who has executed a confidentiality agreement with USAC.
6. I acknowledge and agree that this Confidentiality Agreement shall not apply to requests for Confidential Information made by an employee of the Federal Communications Commission (“Commission”), except that I may not disclose Personally Identifiable Information (as that term is defined in Appendix A to this Confidentiality Agreement) without the express advance written approval of the USAC Director of Human Resources or the USAC General Counsel, or in either one’s absence, a respective designee.
7. I acknowledge and agree that, subject to the notice requirement in paragraph 8 below, this Confidentiality Agreement shall not prevent disclosure of Confidential Information in response to an official request from the Comptroller General of the United States, the Government Accountability Office, or the United States Congress or a Committee or Subcommittee thereof, except that I may not disclose Personally Identifiable Information without the express advance written approval of the USAC Director of Human Resources or the USAC General Counsel, or in either one’s absence, a respective designee.
8. I acknowledge and agree that if I receive a subpoena or any other request or demand for Confidential Information, I will take all reasonable and appropriate steps such that the



request is submitted within one business day of receipt, and prior to any disclosure of such information or records, to the USAC General Counsel, or in the USAC General Counsel's absence, a respective designee.

9. I acknowledge and agree that if I know or have a reasonable basis for believing that any Staff Person is using or disclosing Confidential Information in violation of this Confidentiality Agreement, I will immediately so notify my USAC supervisor or the USAC General Counsel.
10. I acknowledge and agree that if I intentionally or unintentionally disclose any Confidential Information in violation of this Confidentiality Agreement, I will immediately so notify my USAC supervisor or the USAC General Counsel.
11. I acknowledge and agree that if I am uncertain or have questions about my obligations under this Confidentiality Agreement, I will immediately seek advice from my USAC supervisor, the USAC Director of Human Resources or the USAC General Counsel.
12. I acknowledge and agree that any violation of this Confidentiality Agreement may subject me to disciplinary action, including suspension or termination of employment, and civil and criminal liability.
13. I acknowledge and agree that signing this Confidentiality Agreement is a condition of my working as a Staff Person for USAC. I acknowledge and agree that USAC may modify this Confidentiality Agreement and require me to execute the modified version.
14. I acknowledge and agree that upon completion or termination of my relationship as a Staff Person for USAC, I will return to the USAC General Counsel, the USAC Director of Human Resources, or other person designated by either of them, any Confidential Information in my possession.
15. I acknowledge and agree that this Confidentiality Agreement is binding upon me as of the date of my signature, that any modification to this Confidentiality Agreement is binding on me as of the date that I sign such modified version, and that my obligations under the Confidentiality Agreement, including any modifications, continue through and beyond the termination of my position as a Staff Person and for as long as I have in my possession, access to, or knowledge of Confidential Information. I further acknowledge and agree that USAC may, in its sole discretion, modify Appendix A and such modification(s) shall be effective and enforceable against me following written notice to me, which may be by any reasonable method, including but not limited to hand delivery, mail, courier service, email, or facsimile, and that my signature or agreement is not required for the modification to Appendix A to be effective and binding on me.
16. If any provision of this Confidentiality Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, that provision shall be deemed stricken and the remainder of the Confidentiality Agreement shall continue in full force and effect as if it had been executed without the invalid provision.

**Acknowledged and agreed:**

By (signature) \_\_\_\_\_ Name (print) \_\_\_\_\_  
Date \_\_\_\_\_

## CONFIDENTIALITY AGREEMENT – APPENDIX A

Personally Identifiable Information is defined as information whose disclosure would constitute an unwarranted invasion of personal privacy, including but not limited to, personnel records, salary and compensation information, medical records, social security number or residential address. In the event of a question about whether disclosure would constitute an unwarranted invasion of personal privacy, the USAC General Counsel or his or her designee will use for guidance the standards set forth in 47 C.F.R. § 0.457(f) and decisions made thereunder.

Confidential Information is defined as:

1. Information, data, material, or communications in any form or format, whether tangible or intangible, including notes, analyses, data, compilations, studies, or interpretations (collectively referred to hereafter as “information”) and any data, material or communications in any form or format, whether tangible or intangible, that contains, reflects, or is derived from or based upon any information or is related to internal USAC management matters, including but not limited to USAC program integrity procedures, if disclosure is reasonably likely to interfere with or prejudice the performance of the internal USAC management functions.
2. Information related to the development of statements of work or evaluation criteria for USAC or Commission procurements (but not final solicitation or procurement documents that are formally released to one or more prospective bidders or offerors), contractor bids or proposals, evaluation of bidders or offerors, selection of contractors, or the negotiation of contracts.
3. Information that is excluded by applicable statute or regulation from disclosure, provided that such statute (a) requires that the information be withheld from the public in such a manner as to leave no discretion on the issue, or (b) establishes particular criteria for withholding or refers to particular types of information to be withheld. Such information includes copyrighted or trademarked information.
4. Information containing trade secrets or commercial, financial or technical information that (a) identifies company-specific (i.e., non-aggregated) proprietary business information about a Universal Service Fund (USF) contributor (or a potential contributor) or its parent, subsidiary, or affiliate, and (b) has not previously been made publicly available.
5. Information concerning USAC relationships with financial institutions, including but not limited to, account locations, identifiers, balances, transaction activity and other account information and any advice or guidance received from such institutions.
6. Information regarding or submitted in connection with an audit or investigation of a USF contributor, potential USF contributor, USF beneficiary, applicant for USF support, or USAC Staff Person.
7. Information to which USAC, the Commission, or any other government agency might assert a claim of privilege or confidentiality, including but not limited to attorney-client communications, information that constitutes work product or reflects USAC, Commission or other government agency decision-making processes, including law enforcement investigations and program compliance matters. Such information includes but is not limited to internal USAC information, information exchanged between USAC and the Commission

or another government agency, and information exchanged between two or more government agencies in any form, including but not limited to letters, memoranda, draft settlement documents, and working papers of USAC, the Commission, other government agencies, and their respective staff.

8. Information that was submitted with a corresponding written request for confidential treatment, protection, or nondisclosure, including, but not limited to, submissions marked “proprietary,” “privileged,” “not for public disclosure,” or “market sensitive information,” unless and until such request is denied.
9. Information developed in security investigations. Such information is the property of the investigative agency and may not be made available for public inspection without the consent of the investigative agency.

#### ANNEX F: REVISION HISTORY

Date	Reason for Review/Update	Approval
Oct. 20, 1998	New Policy	Board of Directors
Oct. 24, 2000	Affirmed	Board of Directors
Oct. 22, 2002	Revised and Reaffirmed	Board of Directors
Oct, 19, 2004	Revised and Reaffirmed	Board of Directors
Oct. 24, 2006	Reaffirmed without Revision	Board of Directors
Oct. 28, 2008	Reaffirmed without Revision	Board of Directors
Oct. 26, 2010	Reaffirmed without Revision	Board of Directors
July 30, 2013	Reaffirmed without Revision	Board of Directors
Jan. 31, 2017	Revised and Reaffirmed	Board of Directors
Jan. 29, 2019	Reaffirmed with minor editorial revisions	Board of Directors



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

**ACTION ITEM**

**Review of Statement of Ethical Conduct  
for Members of the USAC Board of Directors  
and Board Member Annual Disclosure of  
Corporate or Entity Affiliations Form**

**Action Requested**

The USAC General Counsel, on behalf of USAC management, requests that the Board of Directors (Board) review the July 2015 *Statement of Ethical Conduct for Members of the USAC Board of Directors (Statement)* and *Director Affiliation Disclosure Form (Disclosure Form)* and reaffirm their continued use.

**Discussion**

The Board reaffirmed the *Statement*, which is provided for your reference in **Attachment A-1** to this briefing paper, in January 2017. The *Statement* requires that the Board periodically review the *Statement* to determine its adequacy, evaluate compliance, and revise it as necessary. The USAC General Counsel and the USAC Ethics Officer have reviewed the *Statement*, evaluated it against current industry practice, and recommend that the Board reaffirm the *Statement* without change.

The Board last approved the *Disclosure Form*, provided for your reference in **Attachment A-2**, in January 2017. The USAC General Counsel and the USAC Ethics Officer have reviewed the *Disclosure Form* and recommend that the Board reaffirm the *Disclosure Form* without change.

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors hereby reaffirms the *Statement of Ethical Conduct for Members of the USAC Board of Directors* and *Director Affiliation Disclosure Form*, January 2017 versions, without revision.

**ATTACHMENTS**

Attachment A-1: *Statement of Ethical Conduct for Members of the USAC Board of Directors*

Attachment A-2: *Director Affiliation Disclosure Form*



Briefing book excludes all materials discussed in Executive Session.

**ACTION Item #aBOD06**

**Attachment A-1**

**1/29/19**

**Attachment A-1**

**Statement of Ethical Conduct for Members  
of the USAC Board of Directors**

## **Statement of Ethical Conduct for Members of the USAC Board of Directors**

*Revised and Reaffirmed on October 26, 2010*

*Revised and Reaffirmed on July 30, 2013*

*Revised and Reaffirmed on July 28, 2015*

*Revised and Reaffirmed on January 31, 2017*

Members of the Board of Directors of the Universal Service Administrative Company (“USAC”) are vested with significant responsibilities for the stewardship of corporate programs, funds, property, information, and interests. Moreover, each Board member is obligated to represent the interests of the constituency represented by that Board member. In agreeing to serve on the USAC Board of Directors, each Director acknowledges and accepts these responsibilities and agrees to comply at all times with the provisions of this *Statement of Ethical Conduct for Members of the USAC Board of Directors*, as follows:

1. The USAC Board of Directors is purposely structured to ensure that the views of many differing interests are heard and considered. This can create a conflict in the demands on a particular Director. The Director, in bringing to the attention of the Board the particular sensitivities and concerns of his or her constituency, is assisting the entire Board and enhancing the Board’s decision making process. However, the Director ultimately must use his or her position to represent USAC’s overall interests, *i.e.*, the interests of the corporate entity, and not the interests of his or her constituency.
2. No Director shall use USAC resources for personal or business gain, including the private gain of friends, relatives, or persons with whom the Director is affiliated in a non-business capacity, nonprofit organizations of which the Director is an officer or member, and persons with whom the Director has or seeks employment or business relations. No Director shall obtain for the Director or his or her business a material interest or benefit of any kind resulting from the Director's relationship with USAC.
3. No Director shall use USAC assets, labor, or information for personal use unless approved by the Executive Committee of the Board of Directors, or as part of a compensation or expense reimbursement program available to all Directors.
4. A Director who is aware of a potential conflict of interest with respect to any matter coming before the Board or any committee of the Board shall disclose the actual or potential conflict to the USAC General Counsel and/or the Executive Committee, unless the conflict is so apparent from the particular sensitivities and concerns of the Director’s constituency that there is no need for additional disclosure.
5. Directors shall take steps to ensure that USAC, as well as its officers, contractors, subcontractors, consultants, agents, and other representatives avoid any organizational or personal conflicts of interest or the appearance of a conflict of interest in all acquisitions.

6. No Director shall, directly or indirectly, solicit or accept a gift given because of his or her position as a USAC Director. No Director shall accept a gift in return for being influenced in the performance of his or her duties as a USAC Director, or accept gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe the Director is using his or her position for private gain.
7. Directors shall conduct USAC affairs with honesty, integrity, due diligence, and reasonable competence, in a manner that ensures the integrity of USAC and instills the highest public trust and confidence within it. Directors shall perform their duties in an impartial manner, without preference or favor to any private organization or individual.
8. Directors shall exercise proper authority and good judgment in their dealings with USAC officers, contractors, subcontractors, consultants, agents, and other representatives, as well as the general public, and respond to the needs of the USAC constituents in a responsible, respectful, prompt and professional manner.
9. Directors shall ensure that all information concerning USAC which is confidential or privileged or which is not publicly available, including the deliberations and communications of the Board of Directors, is not disclosed except when authorized or legally mandated. Confidential information shall not be used for any other purpose than to fulfill the Director's responsibilities as a USAC Director. Directors shall ensure that all non-public information of other persons or firms acquired by USAC, including trade secrets, patents, and intellectual property, is treated as confidential and not disclosed.
10. Upon termination of service on the Board of Directors, a retiring Director shall have a continuing obligation of confidentiality with respect to confidential information acquired as a consequence of his or her tenure on the Board of Directors.
11. Directors shall at all times obey, and shall oversee compliance by employees, officers, and other Directors with, all applicable federal, state and local laws, rules, and regulations, including insider trading laws and the orders of the Federal Communications Commission ("FCC"). Directors shall provide or cause to provide the full cooperation of USAC when requested to do so by federal, state, or local government institutions and persons in authority. Directors shall take steps to ensure that USAC complies with FCC reporting, coordination, and oversight requirements as set forth under applicable laws, rules, and regulations. Directors shall take steps to ensure that USAC assists the FCC in complying with all applicable federal financial management and reporting statutes, including accounting requirements, on an ongoing basis, as set forth under applicable laws, rules, and regulations.
12. Directors shall take steps to ensure that USAC promotes ethical behavior and encourages employees to report any actual or potential breaches of applicable laws, rules, or regulations, or this *Statement of Ethical Conduct for Members of the USAC Board of Directors* to appropriate personnel.

13. Directors are encouraged to disclose and discuss any actual or potential breaches of applicable laws, rules, regulations, or this *Statement of Ethical Conduct for Members of the USAC Board of Directors* to the USAC General Counsel and/or the Executive Committee of the Board of Directors.

The Board or an appropriate Committee thereof will review this *Statement* periodically to determine its adequacy, to evaluate compliance, and to revise it as necessary.

Briefing book excludes all materials discussed in Executive Session.

**ACTION Item #aBOD06**

**Attachment A-2**

**1/29/19**

**Attachment A-2**

**Form of Annual Disclosure for  
Members of the USAC Board of Directors**



## DIRECTOR AFFILIATION DISCLOSURE FORM

**DIRECTOR NAME:**

1. Please identify all employment, consulting, officer, and director positions that you or your spouse currently hold that could potentially relate to the Universal Service Administrative Company (USAC) or the Universal Service Fund (USF). Please state the name and address of the entity and the position that you hold.

2. Are you or your spouse an employee, consultant, officer or director, or owner of 10% or more of the equity of an entity that made payments to USAC during the past 12 months or that expects to make payments to USAC during the next 12 months?

Yes       No

If yes, please state the name of the entity, the nature of your or your spouse's relationship with it, and the nature of the payments made or expected to be made to USAC (e.g., USF contribution payments or otherwise).

3. Are you or your spouse an employee, consultant, officer, or director, or owner of 10% or more of the equity of an entity that received payments from USAC during the last 12 months or that expects to receive payments from USAC during the next 12 months?

Yes       No

If yes, please state the name of the entity, the nature of your or your spouse's relationship with it, and the nature of the payments received or expected to be received from USAC (e.g., support payments from one of the universal service support mechanisms; payments for goods and services; other).



## DIRECTOR AFFILIATION DISCLOSURE FORM

4. Are you aware of any pending legal proceedings in which either you, your spouse, or an entity of which you or your spouse are an employee, consultant, officer or director, or owner of 10% or more of the equity are a party that is adverse to USAC (e.g., filing a lawsuit against USAC; filing an appeal of a USAC decision, etc.)?

Yes       No

If yes, please describe:

5. Are you aware of any relationship between USAC and you, your spouse, or entity or affiliated entity of which you or your spouse are an employee, consultant, officer, director, or owner of 10% or more of the equity, that is not covered by the previous questions but that you believe should be disclosed for any potential conflicts of interest?

Yes       No

If yes, please describe:

### DIRECTOR SIGNATURE AND CERTIFICATION

I hereby certify that to the best of my knowledge and belief, the information given by me in this document is correct and complete.

Director Signature:

Date:

## Universal Service Administrative Company Board of Directors Meeting

### ACTION ITEM

#### Approval of USAC Common and Consolidated 2nd Quarter 2019 Budgets for the January 31, 2019 FCC Filing

#### **Action Requested:**

The USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2019 (2Q2019) common and consolidated budgets for submission to the Federal Communications Commission (FCC) in USAC's January 31, 2019 quarterly filing.

#### **Discussion:**

The 2019 annual USAC consolidated budget totals \$237.63 million. See aBOD08cf 012919 for details regarding the 2019 annual USAC consolidated budget.

The 2Q2019 portion of the USAC consolidated budget is \$59.90 million. This includes \$34.66 million in direct program costs and \$25.24 million in common indirect costs. Please note that these are budget amounts and do not include programmatic demand.

<i>(in millions)</i>	<b>2Q2019 Direct Program Budget</b> <i>(see Note 1)</i>	<b>2Q2019 Allocated Common Budget</b> <i>(see Note 2)</i>	<b>2Q2019 Consolidated Budget</b> <i>(see Note 3)</i>
<b>Program Budget</b>			
High Cost	\$5.76	\$8.39	\$14.15
Lifeline	11.53	4.00	15.53
Rural Health Care	2.65	1.50	4.15
Schools & Libraries	14.72	11.35	26.07
<b>Total</b>	<b>\$34.66</b>	<b>\$25.24</b>	<b>\$59.90</b>

**Note 1:** Total 2Q2019 direct program budgets totaling \$34.66 million were approved by the USAC Programmatic Committees in the Programmatic Committee meetings on January 28, 2019.

**Note 2:** 2Q2019 common budget of \$25.24 million to be approved by the Board. The common budget is allocated to the programs based on the Cost Allocation Methodology on file with the FCC, which allocates costs based 50% on direct program costs in the prior year and 50% on program demand in the prior year.

**Note 3:** 2Q2019 consolidated budget of \$59.90 million to be approved by the Board.



A comparison of actual common and consolidated expenditures to the budget for the twelve months ending December 31, 2018 is provided in **Attachment A**.

**Recommendation:**

USAC management recommends that the Board approve the 2Q2019 budgets as proposed.

**Recommended USAC Board of Directors Action:**

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Board of Directors approves a 2nd Quarter 2019 common budget of \$25.24 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$25.24 million for common costs in the required January 31, 2019 filing to the FCC on behalf of the USAC Board of Directors; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 2nd Quarter 2019 consolidated budget of \$59.90 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$59.90 million for consolidated costs in the required January 31, 2019 filing to the FCC on behalf of the USAC Board of Directors.

## ATTACHMENT A

USAC Administrative Costs  
Comparison of Actual Expenditures to the Budget for the  
Twelve Months Ending December 31, 2018

(\$ in millions)	2018 YTD FTE Actual (Average)	2018 YTD FTE Budget (Average)	FTE Variance	YTD Actual	YTD Budget	Variance
<b>Direct Program Costs</b>						
High Cost	37	40	3	\$10.61	\$12.08	\$1.47
Lifeline	43	45	2	24.43	31.37	6.94
Rural Health Care	46	47	1	6.26	7.21	0.95
Schools & Libraries	43	51	8	65.54	67.48	1.94
<b>Total Direct Program Costs (see Note 4)</b>	<b>169</b>	<b>183</b>	<b>14</b>	<b>\$106.84</b>	<b>\$118.14</b>	<b>\$11.30</b>
<b>Common Costs</b>						
Employee Expenses	328	355	27	\$49.98	\$55.09	\$5.11
Professional Services				15.70	21.44	5.74
Overhead				22.46	26.56	4.10
<b>Total Common Costs (see Note 5)</b>				<b>\$88.14</b>	<b>\$103.09</b>	<b>\$14.95</b>
<b>Total Consolidated Costs</b>	<b>497</b>	<b>538</b>	<b>41</b>	<b>\$194.98</b>	<b>\$221.23</b>	<b>\$26.25</b>

**Note 4:** See quarterly programmatic budget and demand papers for information on the comparison of actual expenditures to the budget.

**Note 5:** Common costs were lower than the budget due to vacant positions; lower spending for IT security, infrastructure, and user experience projects; and fewer hardware purchases than budgeted.

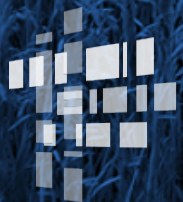




# CEO Business Update

USAC Board of Directors Meeting

January 29, 2019



Universal Service  
Administrative Co.



# Agenda

Topic	Description	Purpose	Presenter	Length
Recap	Review of action items and status from previous Board and Committee meetings	Informational	Radha	5 min
2018 Accomplishments	2018 significant accomplishments across the organization	Informational	Radha	5 min
2019 Goals and Objectives	Review of major corporate goals & objectives	Informational	Radha	5 min
CEO Roundtable	Status update	Informational	Radha	5 min

# October Board Recap

Action items and updates from the previous Board and Committee meetings

Activity/Item	Purpose	Status
<b>Specific Content Requested</b>		
<b><u>Executive Committee</u></b> Projections for Demand and Contribution Rate	Support the FCC when they are considering revisions to the programs	USAC provides the information to the FCC.
<b><u>Board of Directors</u></b> Add a glossary	Add a glossary to make it easier to understand the materials for those that don't work with the program(s) regularly	A glossary has been added to the Appendix of the Business Updates, where needed.
Human Resources - Turnover rate	What is USAC doing to reduce turnover rate and how does USAC measure success?	This had been addressed in the Human Resource Business Update
EPMO – Open Data	When will there be an open data set available for the public for RHC?	RHC data was submitted to the FCC for review and approval. USAC will follow-up after the FCC returns from the partial government shutdown.
USAC Challenges	Board would like to understand USAC's key challenges	Program Business Updates include discussion topics on this item
Budget Papers	Show 2018 actuals to allow comparison to 2019	This has been added to the budget papers
<b><u>Audit Committee</u></b> USAC Risks and Reporting to the Board	Provide additional information on USAC's procedures to minimize risk and how it will be reported to the Board	This will be discussed during the EPMO Business Update during the Board meeting
Amend AAD Charter	The Audit Committee wants to have oversight on corporate assurance activities	Discussion on this topic will be conducted at the Board meeting

# October Board Recap

Briefing book excludes all materials discussed in Executive Session.

## Action items and updates from the previous Board and Committee meetings

Item	Purpose	Status
<b>Changes/Modifications Requested</b>		
<b><u>Schools &amp; Libraries</u></b> PQA – Improper Payments Results	Provide two calculations for the Lifeline improper payment rate to see how the changes in the use of universal forms are helping to reduce the risk of improper payments.	This item will be addressed once the Fiscal Year 2019 PQA results are complete and presented during the October 2019 Audit Committee meeting.
Expiration of State Match for fiber builds	Which states have state match program that expire soon?	The following states have state match programs that expire in 2019: Arizona, Maryland, Nevada, and Texas. Complete information about <a href="#">approved state match program</a> can be found on the USAC website.
Pricing Confidentiality	How many SL applications does USAC receive that request pricing confidentiality?	Over the past three funding years, the number of applications requesting pricing confidentiality has declined steadily. In FY 2016, we received 191 such applications, in FY 2017 there were 116 such applications, and in FY 2018 there were 46 such applications. This represents less than 0.5% of all applications received in that funding year.
<b><u>Lifeline</u></b> <ul style="list-style-type: none"> <li>Enhanced Duplicate Detection</li> <li>National Verifier Reverifications</li> </ul>	<ul style="list-style-type: none"> <li>Can you quantify the impact of the enhanced duplicate check implemented in August 2018?</li> <li>How many carriers elect USAC to perform reverification?</li> </ul>	<ul style="list-style-type: none"> <li>Just prior to the enhancement, approximately 500 enrollments out of 400,000 were potential duplicates. With the enhancement, no such enrollments have occurred.</li> <li>78 ETCs representing about 37,000 subscribers for the first two NV state launches. This represents approximately 11% of total subscribers that require reverification.</li> </ul>
<b><u>Rural Health Care</u></b> Stakeholder Engagement	Provide more detail on what is RHC doing to engage stakeholders	This will be discussed in the RHC Business Update

# 2018 Major Enterprise Accomplishments

Briefing book excludes all materials discussed in Executive Session.

- Created 18-Month roadmap plans for each Program
- Transitioned disparate call centers to Sutherland (RHC, High Cost, SLD) and Conduent (Lifeline), resulting in a \$2M annual saving
- Launched the Knowledge Management efforts that centralized program, process, team and application environment that will align the knowledge, content, and training required by the USAC Programs (High Cost, Lifeline, Rural Health Care, Schools and Libraries)
- CAF Map complete and accepted by FCC on September 27th, which is USAC's first open data mapping application – displaying over 1.8 million deployed broadband locations as reported by carriers in the High Cost Program's HUBB system. The map allows users to interact in a number of ways, along with the ability to run powerful searches and queries
- Successfully completed the Cash to Treasury and in the first month, processed 432 payments for \$6.7M using the new system, working with the top 35 contributors (representing ~90% of contributions) to ensure a smooth transition to the new process
- Supporting some of the key activities for USAC, the Procurement team managed several procurements, including Appian; Oracle; EPC O&M; VMWare, and IV&V; Microsoft Enterprise Agreement; Dell/EMC Transformational License Agreement; Enterprise DB License Agreement, Red Hat Linux Enterprise License Agreement, Maximus; and IT Security Program Award
- Achieved FISMA 5 ATO for all of USAC's major systems: National Verifier, NLAD, High Cost, Finance E-File, EDS, and EPC/SL Legacy
- Implemented the Graduate Recruitment Program with early career talent for a more balanced workforce; hired over 30 recent graduates/early career talent in 2018
- In conjunction with the FCC and the Board of Directors signed a new Memorandum of Understanding

## Goals and Objectives: USAC

To work collaboratively with the FCC, stakeholders, and staff to ensure the success of the Universal Service Fund Programs, while continuing to reduce waste, fraud and abuse of the Universal Service Fund.



# 2019 Goals & Objectives Briefing book excludes all materials discussed in Executive Session.

Helping households obtain the voice and broadband connectivity services they need to participate and function in today's digital world.

Goals	Objectives / Outcomes	How USAC will meet the goal
<b>Operational Efficiency</b>	To continuously improve the efficiency and effectiveness of business processes.	<ul style="list-style-type: none"> <li>• Roll out a USAC wide knowledge management framework.</li> <li>• Through governance, establish processes that are simple, fast and efficient.</li> </ul>
<b>Improve Program Participant &amp; FCC Experience</b>	Enhance participant experience to enable successful participation. Enhance FCC relationship with transparent communication and responsiveness	<ul style="list-style-type: none"> <li>• Timely and quality resolution of customer issues and concerns to their satisfaction.</li> <li>• Resolve and respond to high level highly visible inquires.</li> <li>• Continue open communication with FCC on 18-month Plan, meet milestones and deliverables and adjust plans as needed.</li> </ul>
<b>Program Integrity</b>	To monitor and implement controls and proactively detect opportunity to prevent fraud, waste and abuse.	<ul style="list-style-type: none"> <li>• Increase the trust of FCC, Public, and Congress in our programs.</li> </ul>
<b>Execute Mission Critical Performance</b>	Create an environment where FCC direction and USAC goals are designed and implemented in the best and most timely fashion.	<p><b>Programs:</b> <b>HC</b>-Monitor Network Build-out obligation by fund &amp; Execution of fund level validation and verifications / <b>LL</b> -Implement NV / <b>SLD</b> -Execute key business processes timely / <b>RHC</b>- Funding decisions for 2017 &amp; 2018.</p> <p><b>Enterprise:</b> <b>OGC</b> – Support Programs to improve Program integrity and operational efficiencies / <b>Finance</b> - A123 Enterprise Internal Audit and annual audit / <b>IT</b> - Use best-in-class solutions development &amp; hosting services / <b>AAD</b> - Complete Lifeline Chairman Pai and forensic audits/ <b>EPM</b> - Finish Data Warehouse and complete Data Act compliance / <b>Procurement</b>- Strong FCC relationships and strategic alliances with USAC Service Providers/ <b>HR</b>- HR scorecard for overall assessment &amp; improvement. Proactive recruiting solutions / <b>Shared Services</b> – Through communication an training vehicles reduce participant errors and improve response times.</p>
<b>Employee Engagement – (People Manager)</b>	To ensure USAC employees feel a greater commitment to the organization. Ensuring that USAC becomes an employer of choice.	<ul style="list-style-type: none"> <li>• Improve communication with employees to create a culture of feedback and transparency.</li> <li>• Create alignment on enterprise wide performance to ensure performance is rewarded and all staff are held accountable and supported.</li> </ul>

## Focus on SL BPO Transition

- SECA
- ALA
- Council of Great City Schools
- Service Provider @ Annual Training – 104 participants, 66 unique companies
- SHLB – 82 participants; 61 unique companies
- Education Networks of America
- E-Rate Management Professionals Association

## Networking Opportunities

- NTCA
- ITTA
- ATIS
- UTC
- Fiber Broadband



# Shared Services

USAC Board of Directors Meeting

January 29, 2019



Universal Service  
Administrative Co.



# Agenda: Shared Services

Briefing book excludes all materials discussed in Executive Session.

Topic	Description	Purpose	Presenter	Length
Accomplishments	2018 Accomplishments.	Informational	Stephen	5 Min
2018 Call Center Performance	Overview of Call Center Performance in 2018.	Informational	Stephen	3 Min
2019 Program Goals & Objectives	2019 Goals & Objectives of Shared Services.	Informational	Stephen	2 Min
Escalation Team Concept	Overview of escalation team focused on clearing EPC Tickets	Informational	Stephen	5 Min
Update In-person and Online Schools and Libraries Training	Accomplishments and initial read out of In-person and Online Schools and Libraries Training.	Informational	Stephen	3 Min
Shared Services Program at a Glance	Overview of Shared Services activities for next 12 months	Informational	Stephen	2 Min

# 2018 Accomplishments – Shared Services

Briefing book excludes all materials discussed in Executive Session.

- Successfully transitioned 4 USAC program call centers to new vendors, standardized performance management, saved \$12.5 M over 5 years.
- Directed all of Schools and Libraries' 2018 Applicant and Service Provider On-site Training, consisting of eight 1.5 day sessions.
  - 98.4% of respondents said the training was helpful. – *“The logistics of the training and friendliness of the USAC staff were outstanding.”*
- Developed & launched 15 modularized Schools and Libraries online applicant training courses.
- Built and implemented communication strategy for all major USAC initiatives such as Cash to Treasury, National Verifier, and the SLD BPO Transition.
- Identified and managed selection of Content Management System (CMS) for the USAC website. (transition in progress)
- Designed, created, and edited more than 75 videos in 2018 for key program initiatives.
- Delivered 2017 Annual Report and 2018 Annual Communications plan to the FCC. (2018 Annual report in progress)

# Call Center Performance

Metrics	Target	Q 1	Q 2	Q 3	Q 4	Variance to Target (most recent)
<b>Lifeline</b> (migrated 1/21/18)						
Calls Handled	N/A	57,383	64,755	50,772	78,132	✓
ASA	< 0:30	0:10	0:25	0:19	5:11	🚩
Abandon Rate	< 3%	3.1%	1.9%	1.3%	17.6%	🚩
<b>E-rate</b> (migrated 6/1/18)						
Calls Handled	N/A	17,223	7,896	5,964	9,689	✓
ASA	< 0:30	0:26	0:29	0:15	0:23	✓
Abandon Rate	< 3%	3.9%	3.4%	1.2%	0.9%	✓
<b>Rural Health Care</b> (migrated 2/15/18 – 6/1/18)						
Calls Handled	N/A	1,054	1,389	922	1,094	✓
ASA	< 0:30	0:12	0:10	0:13	0:19	✓
Abandon Rate	< 3%	9.4%	4.1%	1.4%	1.1%	✓
<b>High Cost</b> (migrated 4/1/18)						
Calls Handled	N/A	333	167	200	255	✓
ASA	< 0:30	0:30	0:10	0:10	0:16	✓
Abandon Rate	< 3%	0.0%	1.8%	1.8%	1.2%	✓

**Legend**

- ✓ On track
- 🚩 Action Required

## Overview:

- Overall call center performance in 2018 was strong.
- The Lifeline call volume spiked at the end of the year due to an increase in re-certification calls.
  - Total calls offer in December 45K vs. 25k average.
- Performance in the Schools and Libraries call center has been positive since the transition.
- RHC has seen abandon rate drop from 7.4% in first half of the year to 1.1% in the second half.
- High Cost Performance remained consistent throughout the 2018.
- Challenges in 2019 will be the handling of program windows and growth in the Lifeline call center as new states transition to National Verifier.

## 2019 Goals & Objectives

The primary programmatic goals and objectives of Shared Services are to improve the participant experience and program compliance through enhanced Communication and Training vehicles and greater support through the call centers thus reducing participant errors, improving response times and successful fillings.

Goals for 2019 are the same as 2018 for program integrity, employee engagement, and participant experience.

# Escalation Team Concept

**Challenge:** 1600+ EPC cases remain open with a large portion being escalated awaiting a response from USAC.

**Objective:** Efficiently close open escalated cases, improve program processes and standardize approach to escalations moving forward, and reduce repeat calls into the call center.

## Overview:

- Work started on 1/7/19 to close open escalated cases.
- Analysis of the open escalated cases is ongoing but largest focus areas have been identified and categorized.
  - Invoicing – 650 + cases
  - Post Commitment (Form 486, Form 500, Appeals, etc.) – 195 + cases
  - Form 471 – 100 + cases
  - Eligible Services – 75 + cases
- Weekly Escalation Status Meetings are being held that include SME's, IT and Maximus BPO team. Team will discuss escalations, asked for direction and create solutions.



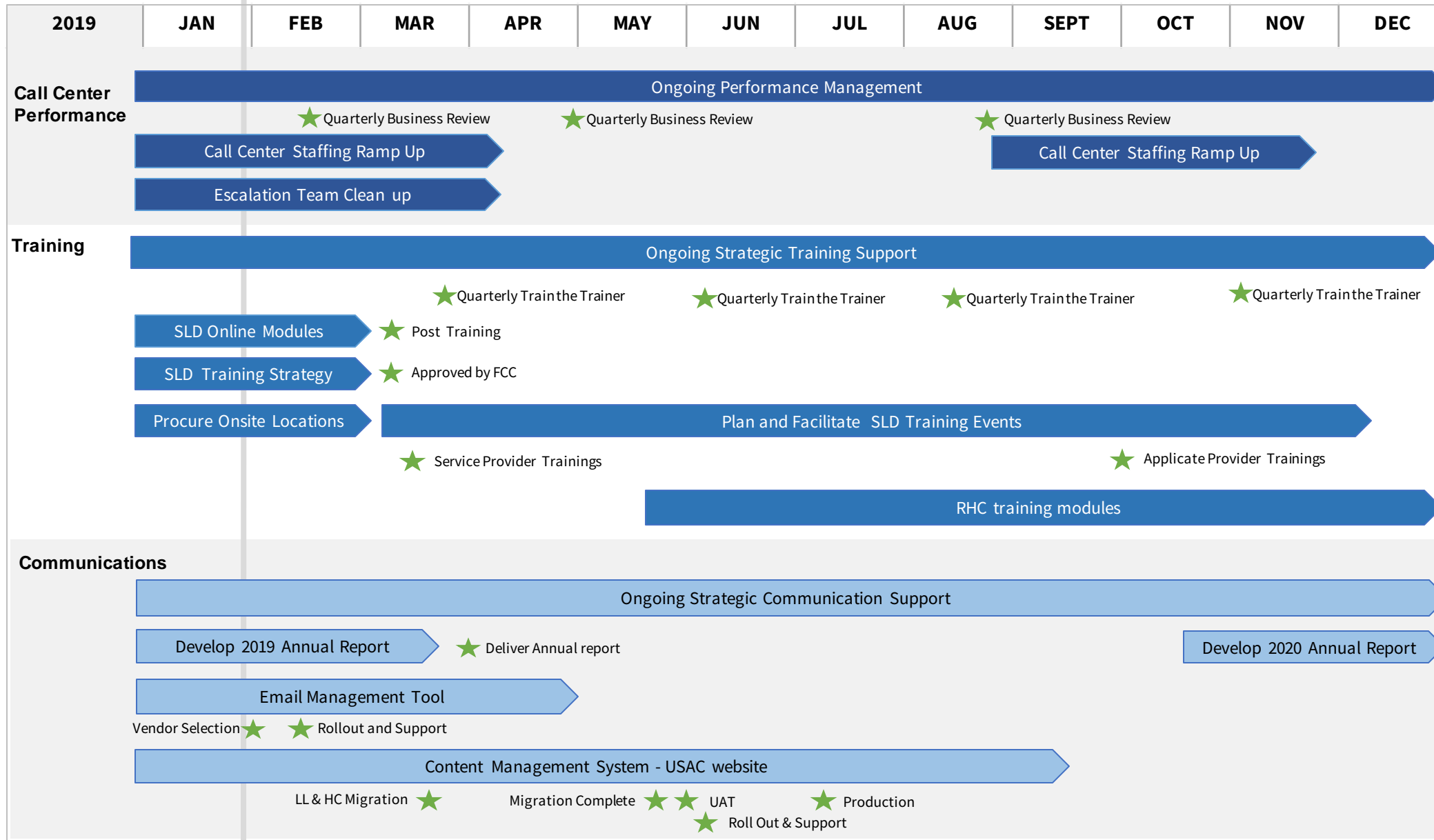


# Shared Services Training Updates Q4 2018 and early 2019

- In early December, successfully closed out planning and operations of Schools and Libraries 2018 on-site applicant and service provider training programs: eight 1.5 day sessions - four in DC and four in other cities
  - 432 evaluations out of 895 attendees evaluations submitted as of January:
    - 98.4% of respondents said the training was helpful
    - 99.1% said they are equally or better prepared to participate in the program
    - Comments include, “This was by far the best training yet,” “Much better than last year. Thank you for answering questions and for the positive approach,” and, “Well planned, nice facility, good content.”
- On December 21, published to USAC.org 15 brand new Schools and Libraries online training modules developed by Shared Services, utilizing a more modernized and effective methodology:
  - 148 evaluations submitted as of January:
    - 99.3% said the training was helpful
    - 67.6% of trainees have less than one year of experience in the program
    - Comments include, “We've had a consultant working for 3 years who quit so I'm having to take up the process again and needed this refresher,” and, “Very informative. Can not wait to see the next tutorial.”
- Scheduled for late February is the completion and posting of an additional 15 Schools and Libraries online service provider training modules, all using the same new, enhanced methodology as the applicant courseware

# Shared Services Program at a Glance

Briefing book excludes all materials discussed in Executive Session.



**Milestone Legend**

- ★ Completed
- ★ On Track
- ★ At-Risk
- ★ Delayed
- ★ On Hold/TBD

All milestone are on track

Briefing book excludes all materials discussed in Executive Session.



**Universal Service  
Administrative Co.**

# Information Technology Business Update

USAC Board of Directors Meeting  
January 29, 2019



Universal Service  
Administrative Co.



## Agenda: Information Technology

Topic	Description	Purpose	Presenter	Length
2018 Accomplishments	Review of IT's 2018 accomplishments	Informational	Bob	5 min
2019 Vision and Objectives	ITs Vision and Objectives for 2019	Informational	Bob	2 min
2019 IT Major Goals	Overview of IT's focus in 2019	Informational	Bob	2 min
Discussion Topics	1) FISMA – 2018 Accomplishments and 2019 Goals	Informational	Kyle	6 min
IT at a Glance	Overview of IT's activities for next 12 months	Informational	Bob	- min
Appendix	Glossary of Acronyms and Projects	Informational	-	- min

# 2018 IT Accomplishments

Briefing book excludes all materials discussed in Executive Session.

## **New Functionality:**

- Developed CAF Map tool enabling geographic display of 1.8 million carrier-reported broadband locations
- Developed Mobility Fund II Challenge system enabling stakeholder submission of wireless speed test data
- Developed new Lifeline claims system capability and advanced tribal-support qualification tool
- Delivered three major E-rate Productivity System (EPC) releases supporting FCC orders
- Delivered new functionality enabling Finance to transfer cash transfer operations from a commercial bank to the US Treasury

## **Enhancements:**

- Developed enhancements in High Cost Universal Broadband portal (HUBB) supporting Alaska Middle-Mile carrier data submissions
- Developed enhancements in National Lifeline Accountability Database (NLAD) eliminating previously required number-portability freeze
- Developed enhancements in NLAD to prevent deceased subscriber enrollments and resolve disputes with proof of life verification
- Developed numerous NLAD enhancements to National Verifier (NV) dependencies in support the 16-state launch
- Developed reengineered Lifeline disbursements system and process
- Developed enhancements enabling EPC as the system of record for “service delivery deadline” and “invoice deadline date”, both formerly stored in the Schools and Libraries (SL) Legacy systems
- Developed enhancements for Rural Health Care systems to enable increase in 2017 commitment amounts and allow for seamless future invoicing
- Developed Finance system enhancements to support revised Red Light Notification of service providers who are on uncollected debt watch

## **Maintenance:**

- Delivered IT transformation of communications, data, accounts, and roles enabling the Schools and Libraries BPO transition from Solix to Maximus
- Delivered an assessment of alternatives to the FCC to sunset SL Legacy Systems
- Performed an end-to-end quality assessment of E-rate processes and systems to proactively discover lingering functionality or data issues
- Enabled HTTP Strict Transport Security (HSTS) on all but 2 legacy Schools and Libraries systems in anticipation of emerging MOU requirement

## **Infrastructure:**

- Consolidated two data centers and reduced redundant software and services by 10% contributing to annual savings of \$1.5 Million
- Successfully executed planned production systems’ disaster recovery test including a focused exercise of the legacy E-rate systems
- Developed a corporate knowledge management platform supporting Programs’ knowledge and process collection

## 2019 Overall Vision and Objective for IT

*Position USAC IT to appropriately and effectively leverage best-in-class solutions development and hosting services, while focusing internally on extending and maintaining services where most economically justified.*

### **Solutions Development Initiatives:**

- Formalize requirements for RFP process
- Use E-gov assessment as architecture guide
- Prequalify vendors for solutions development services
- Competitively bid a new solution to prequalified vendors

### **Operations and Maintenance Initiatives:**

- Insource EPC production support
- Replicate and operate the NV pre-prod environment (built by Accenture)
- Build competency with FedRAMP cloud services

## **New Functionality:**

- Develop Performance Measures Order functionality that enables the submission and auditing of carrier performance testing results
- Develop Wireless Data Collection functionality enabling carriers to submit service-related deployment data for Puerto Rico and US Virgin Islands
- Develop the Representative Accountability Database (RAD) enabling the registration of Eligible Telecommunication Carriers' (ETC) representatives
- Complete the E-gov Assessment delivering recommendations for Business/Enterprise, Application/Systems, and Data architectures

## **Enhancements:**

- Enhance MF II Challenge functionality to enable stakeholders to submit claims regarding minimum levels of service in competitively served areas
- Enhance NLAD to improve data and algorithms pertaining to deceased subscriber processing. Develop service provider and CMS APIs
- Develop a tool to enable service providers to determine eligibility of subscribers on tribal lands
- Modernize Lifeline systems supporting disbursement calculation, disbursement reporting, carrier information, and Form 555 functions
- Enhance E-rate systems with updates FCC Forms for FY2020, enhance user experience, collect additional data, and implement new business rules
- Enhance various systems user interfaces to comply with Section 508 accessibility requirements

## **Maintenance:**

- Deliver updates to forms to Lifeline and High Costs systems in support of FCC requested modifications
- Enhance E-rate systems to support expected, new Category 2 rules
- Develop internal competency to operate and support the EPC platform
- Replicate NV pre-prod environment to enable USAC competency development with NV design, construction and operation

## **Infrastructure:**

- Build the Enterprise Data Warehouse and support advanced data analysis and dashboard tools
- Re-platform [www.usac.org](http://www.usac.org) to WordPress on a cloud platform
- Extend FedRAMP cloud services and operations competency; Engage managed services for network and security operations
- Upgrade primary storage for mission critical virtual machines and databases to improve performance, uptime and reliability
- Improve staff productivity and document management via the transformation to Microsoft Office 365 cloud services



# Discussion Topic: 2018 FISMA Accomplishments

Briefing book excludes all materials discussed in Executive Session.

## New Functionality:

- Achieved Authority to Operate (ATO) Certification for 6 USAC systems
  - National Verifier (NV)
  - National Lifeline Accountability Database (NLAD)
  - E-Rate Productivity Center (EPC)
  - High Cost Broadband Portal (HCBP)
    - Includes both HUBB and MFII Challenge
  - E-File
  - Finance Operations System (FOS)
- Supported ATO Certification for USAC 3<sup>rd</sup> party vendors
  - Sutherland
  - Conduent
  - Maximus

## Enhancements:

- Established first steps toward FISMA Compliance
  - Required to address FCC FISMA Audit finding re: lack of compliance with FISMA

# Discussion Topic: 2019 FISMA Goals

Briefing book excludes all materials discussed in Executive Session.

## Primary Goal:

- Continue on the road to FISMA compliance

## Plan for 2019:

- Establish FISMA program management
- Achieve ATO for foundational systems
  - **General Support System (GSS), Enterprise Common Controls (ECC), and Enterprise Data Services (EDS)**  
*(THIS IS CRITICAL AS ALL SYSTEMS WITH ATOs INHERIT CONTROLS FROM GSS & ECC)*
- FCC FISMA Audit findings – Address 2018 findings, comply with 2019 Audit
- Perform continuous monitoring activities and assessments for systems with ATO to maintain compliance
- Partner with System Owners to assess impact of changes to systems with ATO that may require reaccreditation

## Risks:

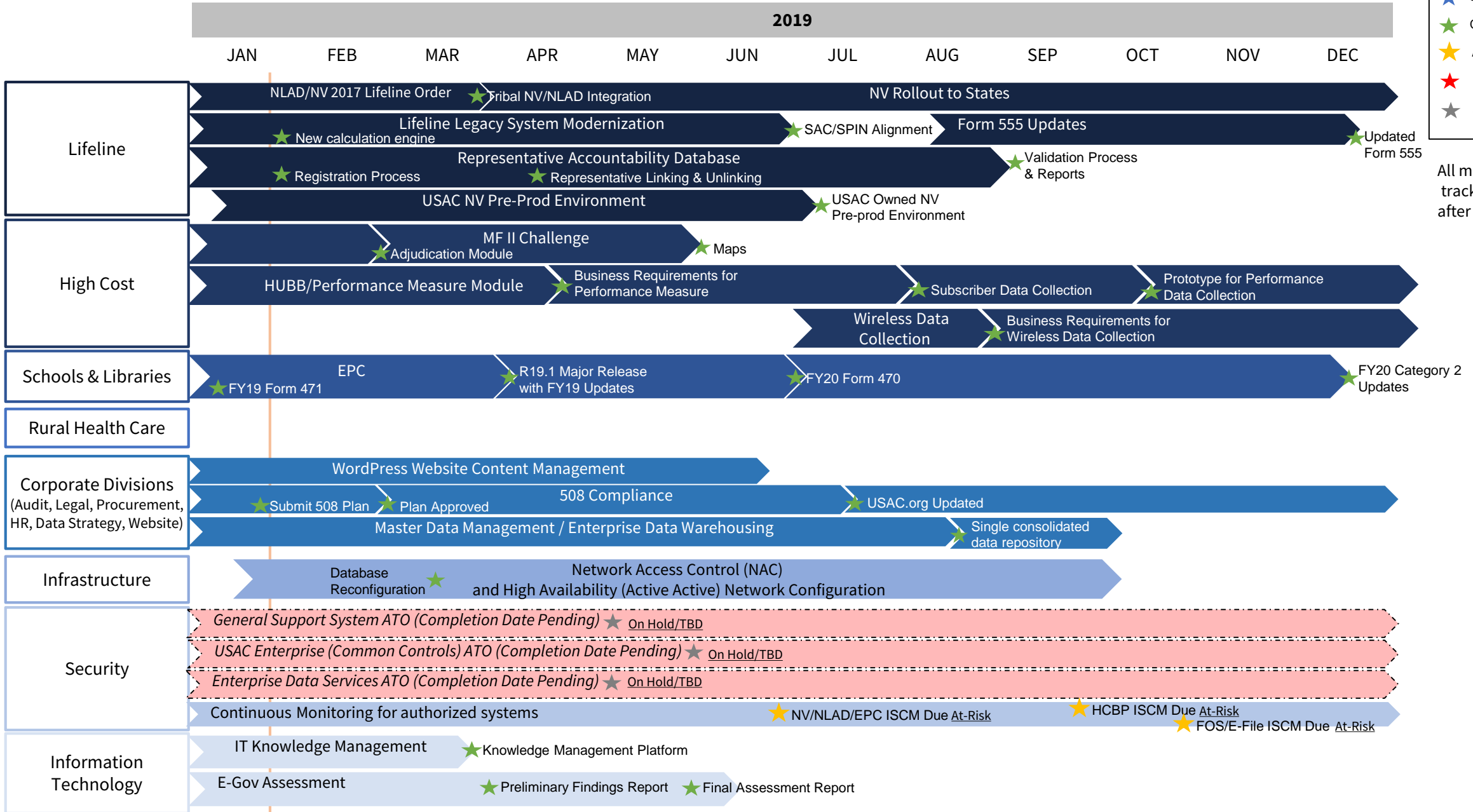
- Information Security Program Vendor – Transition timing
- Security Assessment Vendor – Procurement timing
- Resource availability
- Pending/proposed changes to systems and processes

# IT At a Glance

Briefing book excludes all materials discussed in Executive Session.

**Milestone Legend**

- ★ Completed
- ★ On Track
- ★ At-Risk
- ★ Delayed
- ★ On Hold/TBD



All milestone are on track, unless noted after the star.

Today

# Appendix: Glossary of Acronyms and Projects

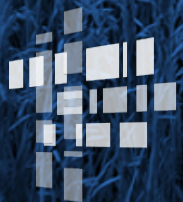
Term	Definition
508 Compliance	Federal law mandating that all electronic and information technology developed, procured, maintained, or used by the federal government be accessible to people with disabilities.
ATO	Authority to Operate
EPC	E-rate Productivity Center
Form 470	Description of Services Requested and Certification Form - After applicants certify an FCC Form 470 in the E-rate Productivity Center (EPC), it is posted publicly. Applicants can also issue a request for proposal (RFP) or related bidding document. Service providers can then review the posted FCC Form 470 information and submit bids.
Form 471	Description of Services Ordered and Certification Form – Applicants file to request discounts on eligible services and equipment for the upcoming funding year.
Form 555	Annual Lifeline Eligible Telecommunications Carrier Certification Form. The form reports the results of the annual rolling recertification process and includes data accuracy certifications.
FOS	Finance Operations Systems
HCBP	High Cost Broadband Portal
HSTS	HTTP Strict Transport Security
ISCM	Information Security Continuous Monitoring
MF II	Mobility Fund Phase II
National Verifier (NV)	A framework of systems and processes for which roll out is in progress to conduct eligibility determinations and other functions necessary to enroll eligible subscribers into Lifeline, transferring the responsibility from ETCs.
NLAD	National Lifeline Accountability Database, an existing system that allows service providers (SPs) to check on a real time, nationwide basis whether a consumer is already receiving a Lifeline Program-supported service, and to maintain records of Lifeline subscribers.



# Enterprise Portfolio Management Office Business Update

USAC Board of Directors Meeting

January 29, 2019



Universal Service  
Administrative Co.



## Agenda: EPMO

Topic	Description	Purpose	Presenter	Length
2018 EPMO Key Accomplishments	Major 2018 accomplishments for EPMO	Informational	Chris Beyerhelm	5 min
2018 ERM Key Accomplishments	Major 2018 accomplishments for ERM	Informational	Chris Beyerhelm	5 min
2019 Goals & Objectives	EPMO Mission	Informational	Chris Beyerhelm	1 min
2019 Goals: EPMO	Major EPMO goals for 2019	Informational	Chris Beyerhelm	5 min
2019 Look Ahead EMPO	Major ERM goals & activities for 2019	Informational	Chris Beyerhelm	1 min
2019 At a Glance: EPMO	EPMO/ERM Roadmap	Informational	Chris Beyerhelm	1 min

## 2018 Key Accomplishments: EPMO

- **Published Two Open Data sets**—published CAF Map and E-rate recipients details and commitments data sets – providing viewers with valuable information on USAC/FCC broadband coverage, and enabling the public to conduct their own data analytics
- **Progressing on a Data Warehouse** –completed the conceptual model for the data warehouse and developed dashboards-developed greater governance of USAC data all leading to one source of truth and a greater capability to use data to make key business decisions.
- **Established Greater Governance** –established USAC’s Leadership Councils to discuss key accomplishments and areas of opportunity and support enterprise decision making
- **Initiated Process Improvement Projects** - 1) the review/redesign of policy and procedures 2) increased efficiencies and uniformity in the appeals process and 3) streamlined document retention systems

# 2018 Accomplishments: Enterprise Risk Management

As USAC instituted the Enterprise Risk Management Framework (ERM), the following highlight the key accomplishments for 2018

- Enhanced the Enterprise Risk Management framework to detail key activities for each responsible group – resulting in an updated approach to reflect organization change and risk strategy
- A-123: Established and A-123 “Internal Controls over Financial Operations” with Finance as the lead
- Risk Management Council (RMC) meetings: Conducted and formalized RMC meetings - resulting in socialization of high risks, identification of corporate assurance activities, and support of ongoing awareness of risk management activities
- Corrective Action Plans (CAPs): Centralized and implemented a standardized monitoring process to support Programs – resulting in an increased awareness of CAPs and accelerated plan to close outstanding CAPs
- Aligned Corporate Assurance i.e. Internal Controls over operations under ERM



## Goals and Objectives: EPMO

To apply an enterprise lens to the improvements to USAC-wide strategic activities, project management and data-driven insights while identifying and mitigating risk.

## 2019 Look Ahead: EPMO

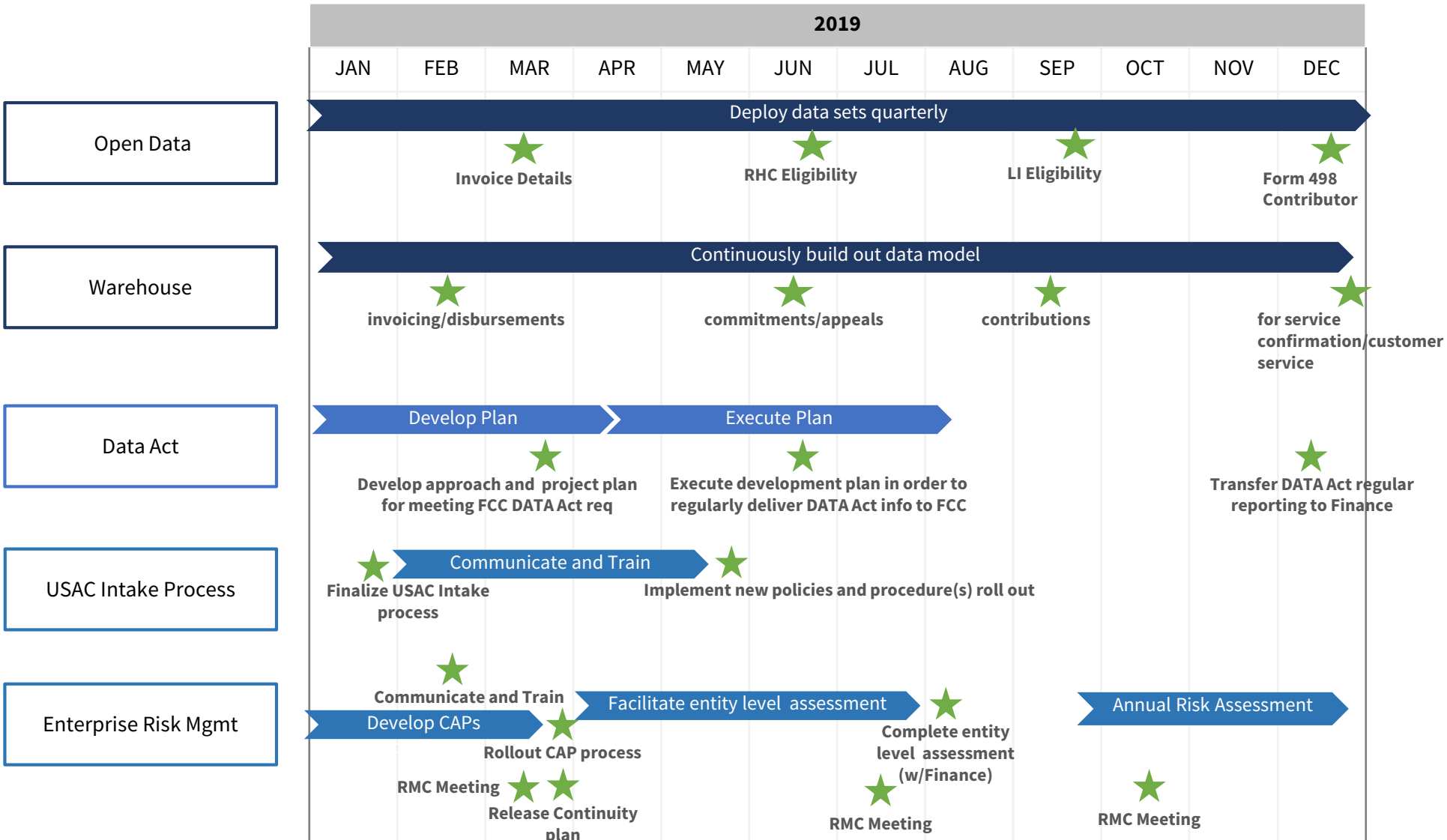
- **Open Data** –publish 4 new open data sets providing our stakeholders greater access to data and analytics to make business decisions; support the release of CAF Map 2.0
- **Finish the Data Warehouse** –complete by 12-31-2019 with operational business dashboards for all 4 programs plus Contributors providing for self service analytics and reporting – automate FCC reporting requirements providing more efficient operations – utilize data analytics for detection of potential fraud waste and abuse
- **Continue with process improvement initiatives**– continue optimizing collaboration & document retention tools used; establish and follow a USAC intake process making implementation of new orders and initiatives; standardize the appeal process with a goal of reducing processing time of appeals to an average of 90 days
- **Data Act**– complete activities to be in compliance by 12-31-2019

# 2019 At a Glance: EPMO

**Milestone Legend**

- ★ Completed
- ★ On Track
- ★ At-Risk
- ★ Delayed
- ★ On Hold/TBD

All milestone are on track



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# Question & Answer