# Board of Directors

## Briefing Book

Tuesday, July 30, 2019

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

Universal Service Administrative Company

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

Washington, D.C. 20005

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

**Tuesday, July 30, 2019**
**8:30 a.m. – 2:00 p.m. Eastern Time**
**USAC Offices**
**700 12th Street, N.W., Suite 900**
**Washington, D.C.  20005**

| | **OPEN SESSION** | *Estimated Duration in Minutes* |
|---|---|---|
| Chair | **a1.** Consent Items (each available for discussion upon request): <br> **A.** Approval of Board of Directors Meeting Minutes of April 30, 2019 and May 21, 2019 <br> **B.** Approval of moving all *Executive Session* Items into *Executive Session* | 10 |
| Chair | **a2.** Reports from the Committee Chairs:  Audit Committee, Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee | 15 |
| Pam | **a3.** Approval of USAC Common and Consolidated 4rd Quarter 2019 Budgets for the August 2, 2019 FCC Filing | 15 |
| Radha | **i1.** Enterprise Business Updates: <br> **A.** CEO Business Update | 25 |
| Kyle <br> Joel D. | **B.** Information Technology (IT) Business Update <br> • Information Systems Strategic Vision | 30 |
| Chris Little | **C.** Shared Services Business Update <br> • USAC Complaints Report | 10 |
| Chris B. | **D.** Enterprise Portfolio Management Office Business Update <br> • Q2 2019 Summary (*For Information Only*) | - |

| | **EXECUTIVE SESSION** <br> **Confidential – *Executive Session Recommended*** | |
|---|---|---|
| Chris | **i1.** **D.** Enterprise Portfolio Management Office Business Update (*continued*) <br> • Enterprise Risk Management <br> • DATA Act Project Update | 30 |
| Charlie | **E.** Finance <br> • Information on Contribution Factor | 15 |
| Craig | **F.** Procurement Business Update | 30 |
| Charlie | **i2.** USAC's 2018 Annual Financial Audit and Agreed Upon Procedures Review | 20 |

**1 of 2**

| | | | |
|---|---|---|---|
| | **EXECUTIVE SESSION**<br>**Confidential –** *Executive Session Recommended* | | |
| | *Same as aAC03cf* | | |
| Jen Crowe | **i3.** | Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports | 5 |
| Ernesto | **a4.** | Request by Board Member for Non-Public Information | 15 |

| | | |
|---|---|---|
| 12:00 p.m. | Board of Directors Lunch | 60 |

## Next USAC Board of Directors Meeting

| |
|---|
| **Tuesday, October 29 2019**<br>**8:30 a.m. – 2:00 p.m. Eastern Time**<br>**USAC Offices, Washington, D.C.** |

**2 of 2**

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

| ACTION ITEM |
| --- |

**Consent Items**

<u>**Action Requested**</u>

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

<u>**Discussion**</u>

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

**A.** Board meeting minutes of April 30, 2019 and May 21, 2019 (*see* **Attachments A-1 and A-2**).

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

    (1) **i1** – Enterprise Business Updates (*Continued*).
- **D**. Enterprise Portfolio Management Office Business Update (*Continued*) – Enterprise Risk Management Update. USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls and/or confidential company data* and *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*.
- **E**. Finance - Information on Contribution Factor. USAC management recommends that this report be discussed in *Executive Session* because it 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:** Procurement Business Update. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.

    (2) **i2 –** USAC's 2018 Annual Financial Audit and Agreed Upon Procedures Review. USAC management recommends that this matter be discussed in Executive Session because it relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal

rules and procedures. In addition, this item includes information on the *eligibility, payment status, request for funding, or other issue regarding a specific participant* in any of the universal service support mechanisms where discussion of the matter in open session would reveal trade secrets or commercial or financial information obtained from a person or entity.

(3) **i3 –** Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports. USAC management recommends that this item be discussed in *Executive Session* because it 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.*

(4) **a4 –** Request by Board Members for Non-Public Information. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *specific internal controls or confidential company data* that would constitute a discussion of internal rules and procedures.

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

**Recommended USAC Board of Directors Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

> **RESOLVED**, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of April 30, 2019 and May 21, 2019; and (2) discussion in *Executive Session* of the items noted above.

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

**BOARD OF DIRECTORS MEETING**
**Tuesday, April 30, 2019**

**(DRAFT) MINUTES[1]**

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, April 30, 2019.  Mr. Joel Lubin, Board Chair, called the meeting to order at 8:36 a.m. Eastern Time, with a quorum all 19 Board members present:

| | |
|---|---|
| Bocher, Robert | Kinser, Cynthia |
| Buzacott, Alan | Lubin, Joel – Chair |
| Choroser, Beth | Mason, Ken – Treasurer |
| Domenech, Dr. Dan | Schell, Julie Tritt |
| Feiss, Geoff | Sekar, Radha – Chief Executive Officer |
| Freeman, Sarah | Tinic, Atilla |
| Fontana, Brent | Wade, Dr. Joan |
| Gerst, Matthew | Wein, Olivia – Secretary |
| Gillan, Joe – Vice Chair | Wibberly, Dr. Kathy |
| Jacobs, Ellis | |

Dr. Domenech and Ms. Freeman left the meeting at 12:00 p.m. Eastern Time.  They did not vote on items a4 or a5 or participate in the discussion of items i1-F or i2.

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
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and
    Assistant Treasurer
Sweeney, Mark – Vice President of Rural Health Care

Others present:

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[1] 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 | COMPANY |
|------|---------|
| Barrett, Henry | USAC |
| Batista, Everton | USAC |
| Bliss, Edward | USAC |
| Boakye-Gyan, Carol | USAC |
| Butler, Stephen | USAC |
| Carpenter, Nikki-Blair | USAC |
| Crowe, Jen | USAC |
| Daguiar, Jamie | USAC |
| Daniels, Joel | USAC |
| Faunce, Donna | USAC |
| Fischer, Dennis | USAC |
| Frelow, Leslie | USAC |
| Gerensky, Dimiter | USAC |
| Goode, Vernell | USAC |
| Gustafson, Jaymie | USAC |
| Hughet, Pamela | USAC |
| Hutchinson, Kyle | USAC |
| Jalloh, Isata | USAC |
| Jaruboon, Jetshada | Maximus |
| Kriete, Debra | South Dakota DOE |
| Lawson, Suzanne | USAC |
| Lee, Brandon | USAC |
| Little, Chris | USAC |
| Luton, Smith | Avitecture |
| Manns, Bernie | USAC |
| Marjani, Regina | USAC |
| Meyers, Erica | USAC |
| Mitchell, Tamika | USAC |
| Nuzzo, Patsy | USAC |
| Parker, Ben | USAC |
| Patel, Amish | USAC |
| Schwetz, Tori | USAC |
| Sherlock, Matthew | USAC |
| Sinkfield, David | USAC |
| Subramaniam, Nathan | USAC |
| Tamm, Nico | USAC |
| Terry, Jaia | USAC |
| Theobald, Fred | USAC |
| Tiwari, Tanya | USAC |
| Walsh, Jeff | USAC |

## OPEN SESSION

All materials from *Open Session* can be found on the USAC website.

**a1.** **Consent Items.** Mr. Lubin presented this item to the Board.

**A.** Approval of Board Meeting Minutes of January 29, 2019 and February 25, 2019.

**B.** Approval of Moving all *Executive Session* Items into *Executive Session*:

**(1) i1** – Enterprise Business Updates (*Continued*).
- **C.** Enterprise Portfolio Management Office Business Update (*Continued*) – Enterprise Risk Management Update. USAC management recommends that this item be discussed in *Executive Session* because the matter involves *specific internal controls and/or confidential company data* and *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*.*
- **D**. Procurement Business Update. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- **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 – Employee Engagement Survey. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.

**(2) a4 –** Consideration of a Contract for USAC's Learning Management System, Performance Management System, and Recruiting Management System. USAC management recommend that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration.*
**(3) i2 –** Information on One USAC Audit and Assurance 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.*

    (4) **a5 –** Personnel Matter – Executive Compensation. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters.*

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

> **RESOLVED**, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of January 29, 2019 and February 25, 2019; 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 January 2019 quarterly meetings. Mr. Tinic reported for the Audit Committee; Mr. Lubin reported for the Executive Committee; Mr. Gillan reported for the High Cost & Low Income Committee and Executive Compensation Committee; Dr. Wibberly reported for the Rural Health Care Committee; and Dr. Domenech reported for the Schools and Libraries Committee.

Mr. Lubin and the Board recognized USAC, Maximus Federal, and Deloitte for the work done on the Schools and Libraries BPO transition, the successful window closing and exceeding the targets for the first wave for FY 2019.

**a3.** **Approval of USAC Common and Consolidated 3rd Quarter 2019 Budgets for the May 2, 2019 FCC Filing.** Ms. Hughet presented this item for consideration. The presentation included a written report on USAC management's recommendations for USAC's common and consolidated 3rd quarter 2019 budgets for the May 2, 2019 FCC filing.

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 3rd Quarter 2019 common budget of $27.57 million; and

> **RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of $27.57 million for common costs in the required May 2, 2019 filing to the FCC on behalf of the USAC Board of Directors; and

> **RESOLVED FURTHER**, that the USAC Board of

Directors approves a 3rd Quarter 2019 consolidated budget of $61.12 million; and

**RESOLVED FURTHER**, that the USAC Board of
Directors directs USAC staff to submit a collection requirement of $61.12 million
for consolidated costs in the required May 2, 2019 filing to the FCC on behalf of
the USAC Board of Directors.

**i1.    Enterprise Business Updates:**

**A.  CEO Business Update – Knowledge Management.**   Ms. Sekar introduced
this item, with Mr. Subramaniam and Ms. Jaia presenting an online demonstration
of Knowledge Management content, and PowerPoint slides covering the
following to the Board:
1. About the Project
2. Knowledge Management Framework
3. Motivation
4. Knowledge Management Table of Contents
5. Knowledge Management Roadmap at a Glance

It was noted that  Knowledge Management is an internal tool for USAC staff, and
contains some internal processes and procedures .  Ms. Sekar indicated that
USAC would identify Knowledge Management materials that could be shared
with the Board and determine how to make them accessible to the Board.

**B.  Information Technology Business Update.**  Ms. Sekar, Mr. Hutchinson and
Mr. Daniels presented PowerPoint slides covering the following to the Board:
1. Change Strategy – Current Issues and Future Vision
2. IT Strategy Components and Objectives
3. Delivery of Mission Critical USF Capabilities – 18-Month Plan
4. Organization Changes & Technology Modernization
5. Handout on USAC IT Strategic Vision 2019 – 2021

Ms. Marjani addressed 508 Compliance, with the Board requesting that functional
testing be done with people who have disabilities.

**C.  Enterprise Portfolio Management Office Business Update – EPMO Q1
Summary.**  The EPMO Q1 2019 Summary was provided for information
purposes only.

At 9:54 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.  The
Board then recessed and reconvened in *Executive Session* at 10:09 a.m. Eastern Time.

**EXECUTIVE SESSION**

**C.  Enterprise Portfolio Management Office Business Update** *(continued)* **–**

**Enterprise Risk Management Update.**  Mr. Beyerhelm presented PowerPoint slides covering the following to the Board:
1. January 2019 Board Meeting Recap
2. ERM/GRC: USAC's Framework to Protect the Universal Service Fund
3. Objectives of Enterprise Risk Management
4. USAC's Risk Identification Approach
5. USAC's Risk Identification Approach for High Risks
6. Enterprise Risks – Heat map
7. High Risks and Mitigation Strategy
8. Conclusion

It was noted that the risk management heat map was the first iteration for USAC and it is expected to change over time. Updates to the heat map will be provided to the Board in future meetings.

**D.  Procurement Business Update.**  Mr. Davis presented PowerPoint slides to the Board that covered the following:
1. Procurement at a Glance
2. Procurement Analysis
3. Procurement Path Forward
4. 2018 & Upcoming Procurement Activities

Ms. Kinser requested that USAC provide information on veteran, minority, and women-owned vendors in future reports.  Mr. Gillan requested that USAC management explicitly indicate whether proposed procurements  are sole sourced.

**E.  Finance – Information on Contribution Factor.**  Mr. Salvatore presented this item to the Board.  The presentation included a written report providing USAC's estimate for the 3rd quarter 2019 contribution factor.

At 12:00 p.m. Eastern Time, the Board recessed for lunch and reconvened at 1:02 p.m. Eastern Time in *Executive Session* for the purpose of discussing remaining *Executive Session* items.

**F.    Human Resources Business Update.**  Ms. Mitchell presented PowerPoint slides covering the following items for discussion:
1. HR at a Glance 2019
2. Q1 2019 Operational Performance Metrics Overview
3. Employee Engagement: Pulse Survey
    a. Pulse Survey Questions
    b. Employee Pulse Survey Update
    c. Comments Summary

**a4**.    **Consideration of a Contract for USAC's Learning Management System, Performance Management System, and Recruiting Management System.**
Mr. Davis presented this item for consideration.  The presentation included a

summary slide and written report with information on USAC's proposed contract award for learning, performance and recruiting management systems.

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

>        **RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a three year support, services and licensing contract with Cornerstone for the total not-to-exceed price of $489,743 (plus applicable taxes), subject to the required FCC approvals.

**i2.** **Information on One USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Report.** The Board received a report with information on one USAC Audit and Assurance Division contributor revenue audit report. Ms. Crowe responded to questions from the Board.

At 1:53 p.m. Eastern Time, on a motion duly made and seconded, with only non-staff members of the Board present, the Board continued in *Executive Session* for the purpose of discussing item a5.

**a5.** **Personnel Matters.** Mr. Gillan presented this items to the Board for consideration.

   **A. Consideration of 2019 Salary Increase for the USAC Chief Executive Officer.**

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 proposed 2019 merit-based salary increase for the USAC CEO, as recommended by the Executive Compensation Committee, hereby approves the salary increase, effective retroactively as of January 1, 2019.

   **B. Consideration of Revision to USAC Compensation Policy To Include Annual Bonus Program for Senior Managers and Below.** Mr. Gillan presented this items to the Board 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 revised USAC Compensation Policy recommended by the Executive Compensation Committee, hereby adopts the revised Compensation Policy set forth in Attachment B-1.

**OPEN SESSION**

At 2:09 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 a4 and a5 and discussed items i1C – i1F and i2.

On a motion duly made and seconded, the Board adjourned at 2:09 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
### Tuesday, May 21, 2019

### (DRAFT) MINUTES[1]

A meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, May 21, 2019.  Mr. Joel Lubin, Board Chair, called the meeting to order at 2:02 p.m. Eastern Time, with a quorum of 14 of the 19 Board members present:

Bocher, Robert – *by telephone*          Lubin, Joel – Chair – *by telephone*
Buzacott, Alan – *by telephone*          Mason, Ken – Treasurer – *by telephone*
Feiss, Geoff  – *by telephone*           Schell, Julie Tritt – *by telephone*
Freeman, Sarah –  *by telephone*         Sekar, Radha – Chief Executive Officer
Gerst, Matthew – *by telephone*          Wade, Dr. Joan –  *by telephone*
Jacobs, Ellis  – *by telephone*          Wein, Olivia – Secretary – *by telephone*
Kinser, Cynthia – *by telephone*         Wibberly, Dr. Kathy – *by telephone*

Mr. Atilla Tinic joined the call at 2:04 p.m. Eastern Time.  He participated in the discussion and voted on items a1 and a2.  Mr. Brent Fontana joined the meeting by telephone at 2:20 p.m. Eastern Time.  He participated in the discussion and voted on item a2.

Members of the Board not present:

Choroser, Beth
Domenech, Dr. Dan
Gillan, Joe – Vice Chair

Officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary – *by telephone*
Davis, Craig – Vice President of Procurement and Sourcing Strategy
Salvator, Charles – Vice President of Finance, Chief Financial Officer and
    Assistant Treasurer

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[1] 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:

| NAME | COMPANY |
| --- | --- |
| Boden, Jerry | USAC |
| Hutchinson, Kyle | USAC |
| Lawson, Suzanne | USAC |
| Nuzzo, Patsy | USAC |
| Tiwari, Tanya | USAC |

## OPEN SESSION

All materials from *Open Session* can be found on the USAC website.

a1.   **Consideration of Contract Award for Security Controls Assessment 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 Board 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 Extension and Increase for Terrapin Consulting LLC, for DATA Act Project Management Consulting Services Agreement.**  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 Board adopted the following resolution:

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

At 2:04 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

## EXECUTIVE SESSION

a1.   **Consideration of Contract Award for Security Controls Assessment Services.**  Mr. Davis presented this item for consideration.  The presentation included a summary slide and written report with information on USAC's proposed contract award for security controls assessment services.  The firm fixed price presented to the Board for approval covered the base year of the contract term, as well as four option years.  During

discussion the Board requested that future resolutions for multi-year contract awards indicate both the base cost and the number and cost of annual option years.

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

> **RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management, subject to required FCC approval, to award a contract to Coalfire Federal, for Security Controls Assessment services, for a firm fixed price of $3,320,714.30 (plus applicable taxes).

**a2**. **Consideration of Contract Extension and Increase for Terrapin Consulting LLC, for DATA Act Project Management Consulting Services Agreement.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed contract extension and increase for consulting services.

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

> **RESOLVED**, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to extend through January 2020 and increase the value of the contract with Terrapin Consulting, LLC for DATA Act Project Management Consulting services by the amount of $180,000, subject to required FCC approval, resulting in a total not to exceed contract value of $417,900 (plus applicable taxes).

## OPEN SESSION

At 2:25 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 a1 and a2.

On a motion duly made and seconded, the Board adjourned at 2:26 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

# Universal Service Administrative Company
# Board of Directors Meeting

| ACTION ITEM |
|---|

## Approval of USAC Common and Consolidated
## 4th Quarter 2019 Budgets for the August 2, 2019 FCC Filing

**Action Requested:**

The USAC Board of Directors (Board) is requested to approve the 4th Quarter 2019 (4Q2019) common and consolidated budgets for submission to the Federal Communications Commission (FCC) in USAC's August 2, 2019 quarterly filing.

**Discussion:**

The 4Q2019 USAC consolidated budget of $59.56 million represents approximately 25% of the 2019 annual USAC consolidated budget of $237.63 million.  This includes $33.80 million in direct program costs and $25.76 million in common indirect costs.

| *($ in millions)* | **4Q2019 Budget** |
|---|---|
| **Direct Program & Direct Assigned Costs** | |
| High Cost | $5.01 |
| Lifeline | 13.20 |
| Rural Health Care | 2.22 |
| Schools & Libraries | 13.37 |
| **Total Direct Program & Direct Assigned Costs** | **$33.80** |
| **Common Costs** | |
| Employee Expenses | $13.70 |
| Professional Services | 6.66 |
| General & Administrative (Note 1) | 5.40 |
| **Total Common Costs** | **$25.76** |
| **Total Consolidated Costs** | **$59.56** |

**Note 1:** General & Administrative expenses include computer support & maintenance, rent, hardware & equipment rental, taxes & insurance, printing & postage, Board of Directors expenses, reference materials, repairs & maintenance, telecommunications, and data collection billing revenue.

A comparison of actual common and consolidated expenditures to the budget for the six months ending June 30, 2019 is provided in **Attachment 1.**

## Recommendation:

USAC management recommends that the Board approve the 4Q2019 budgets as proposed.

## Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

**RESOLVED**, that the USAC Board of Directors approves a 4th Quarter 2019 common budget of $25.76 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of $25.76 million for common costs in the required August 2, 2019 filing to the FCC on behalf of the USAC Board of Directors; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 4th Quarter 2019 consolidated budget of $59.56 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of $59.56 million for consolidated costs in the required August 2, 2019 filing to the FCC on behalf of the USAC Board of Directors.

## ATTACHMENT 1

### USAC Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Six Months Ending June 30, 2019

| ($ in millions) | FTE Actual | FTE Budget | FTE Variance | YTD Actual | YTD Budget | Variance |
|---|---|---|---|---|---|---|
| **Direct Program & Direct Assigned Costs** | | | | | | |
| High Cost | 47 | 55 | 8 | $6.50 | $11.35 | $4.85 |
| Lifeline | 62 | 70 | 8 | 16.37 | 22.63 | 6.26 |
| Rural Health Care | 53 | 55 | 2 | 4.14 | 4.98 | 0.84 |
| Schools & Libraries | 65 | 73 | 8 | 24.04 | 28.05 | 4.01 |
| **Total Direct Program & Direct Assigned Costs** | | | | **$51.05** | **$67.01** | **$15.96** |
| **Common Costs** | | | | | | |
| Employee Expenses | 305 | 343 | 38 | $23.53 | $26.04 | $2.51 |
| Professional Services | | | | 6.70 | 12.01 | 5.31 |
| General & Administrative (Note 2) | | | | 11.83 | 11.89 | 0.06 |
| **Total Common Costs** | | | | **$42.06** | **$49.94** | **$7.88** |
| **Total Consolidated Costs** | **532** | **596** | **64** | **$93.11** | **$116.95** | **$23.84** |

**Note 2:** General & Administrative expenses include computer support & maintenance, rent, banking fees, hardware & equipment rental, taxes & insurance, printing & postage, Board of Directors expenses, reference materials, repairs & maintenance, telecommunications, data collection billing revenue, and interest income.

# CEO Business Update

USAC Board of Directors Meeting

July 30, 2019

**Universal Service**
Administrative Co.

# Agenda: CEO

| Topic | Description | Purpose | Presenter | Length |
|-------|-------------|---------|-----------|--------|
| Recap | Review of action items and status from the April Board of Directors Meeting | Informational | Radha | 5 min |
| Information Items | Upcoming USAC Priorities | Informational | Radha | 20 |

2

# April Board Recap*

| Topic | Requests | Status |
|---|---|---|
| Knowledge Management Program (KM) | Allow members of the Board access to the portions of the KM materials | Materials for each program will be available in BoardEffect for the July 30th Board meeting. An email will be sent sharing access instructions |
| Update IT Glossary | Add ERP and SDLC in the IT glossary for reference | Terms where added to the April Briefing Paper and reposted in BoardEffect and the public posting |
| 508 Compliance Testing | Follow up on 508 compliance progress | Update pending |
| Enterprise Risk Management | Provided quarterly updates | See item iBOD01D |
| Procurement | On summary slides, indicate sole sourcing vs. competitive procurements more explicitly | Implemented although there are no procurements for approval for the July quarterly meetings. |
|  | Map related contracts and procurement timeframes together | See aBOD01Fcf pages 6-7 |
|  | When presenting procurements to the Board, identify whether they are categorized Prong 1, 2, or 3 from the Enterprise IT Strategy (i.e., Design, Implementation, or O&M) | Will be addressed during Procurement discussion. |

*Action items for Committees of the USAC Board of Directors are listed in the Committee briefing books.

3

# Upcoming USAC Priorities

- Digital Opportunity Data Collection  (USAC is directed to develop a new portal to accept broadband coverage map from fixed provider as well as a system that enables "crowd sourcing " strategy to collect public feedback on the accuracy of these maps.)

- RHC Pilot (Establishment of "Connected Care Pilot Program" that help the connection of healthcare provider to the at-home patient directly.  The proposed pilot is funded at $100M and will be supported by increasing contribution)

- E-rate (Modification to the form 470 for funding year 2020 that will address stakeholders concerns, specifically related to Fiber application as well as the revised C2 approach that will go in to effect for fund year 2020)

- Lifeline National Verifier Rollout (Addressing the remaining 78% of the transaction volumes in next 5 months)

- HC Rural/Broadband Fund (Supporting implementation of the Rural Digital opportunity fund phase 1 activities)

- ERP (Addressing the feasibility of an ERP solution that will enable consolidation of all financial activities under one umbrella)

- RHC Reform Order (Support the requirement of change in how rural and urban rates are determined by establishing a database of rates and other programmatic changes such as shortened invoice deadlines, formal window timelines, establishment of formal approval for PIA procedures etc.)
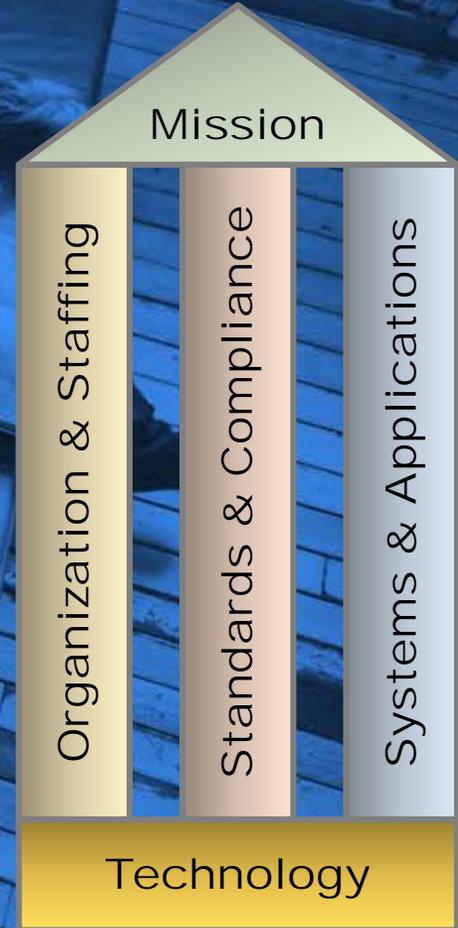
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4

# Information Technology Update

USAC Board of Directors Meeting

July 30, 2019

**Universal Service**
Administrative Co.

Mission

Organization & Staffing

Standards & Compliance

Systems & Applications

**Technology**

1

# Agenda: Information Systems Strategic Vision

| Topic | Description | Purpose | Presenter | Length |
|---|---|---|---|---|
| Objectives | Current IT Issues and Future Vision | Informational | Kyle | 5 min |
| Q2 2019 Activities | Q2 2019 Activities & Progress to meet the IT Vision | Informational | Joel | 15 min |
| Overall Timeline | Notional timeline of new USF Program deliveries committed for delivery | Informational | NA | 2 min |

2

# IT Objectives

1. Deliver Mission Critical program capabilities via the IT 18-month plan

2. Modernize systems to address functionality gaps, legacy systems, improve technical infrastructure, and enhances security

3. Improve IT organizational alignment for system development to improve FCC/USAC Business/USAC IT collaboration around formal requirements, testing, and acceptance to improve capability delivery across USF programs

4. Transform the system acquisition model to leverage professional services for development activities

5. Revamp staff sourcing strategy for IT and Security professionals

3

# Strategic Vision and Short Term Goals

1. Meet USF initiatives in a timely manner

2. Develop an Enterprise Data Warehouse incorporated with a self-service data analytics tool

3. Develop a Sourcing Strategy to pre-qualify Application Development Vendors

4. Evaluate E-Gov Assessment and implement recommendations

5. Design a National Verifier Model Office to reduce reliance on third-party vendor

6. Improve the System Development Lifecycle (SDLC) in the areas of requirements, testing, and system acceptance

7. Improve IT Customer Service across Programs

8. Improve Architecture Capabilities & Governance

4

# 2019 Activities & Deliverables to meet the Vision
## USF Mission Critical Deliveries

| Program | Initiative | Timeframe |
|---------|-----------|-----------|
| Lifeline | Lifeline System Modernization | Q4 2019 |
| | NV FCC Directives | Q1 2020 |
| | Form 555 Updates | Q2 2020 |
| | Additional State Rollouts to 56 States & Territories | Q1 2020 |
| | Representative Accountability Database | Q4 2019 |
| | Model Office Environment | Q4 2019 |
| High Cost | Performance Measures - Subscriber Data & Randomizer | Q4 2019 |
| | Performance Measures - Performance | Q1 2020 |
| Schools | Address new C2 requirement for FY2020 | Q1 2020 |
| | Modify Form 470 to include stakeholder input (specifically Fiber) | Q1 2020 |
| RHC | Participate in functional requirements assessment effort | Q4 2020 |

5

# IT Reorganization

Briefing book excludes all materials discussed in Executive Session.
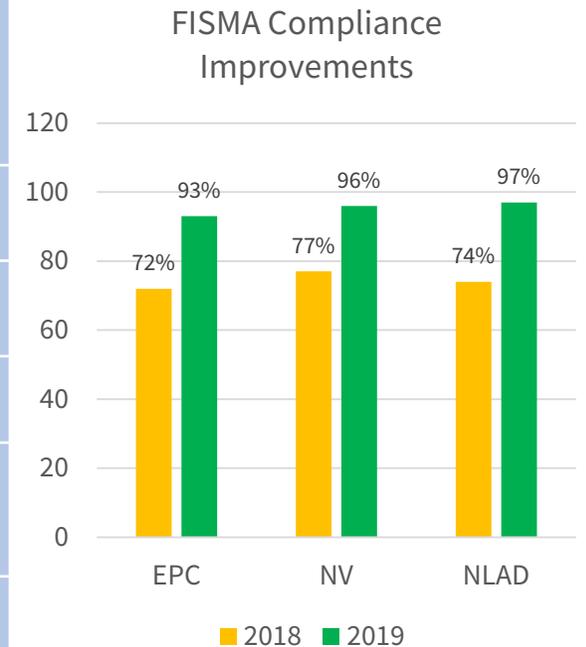


Business Relationship Manager Team

6
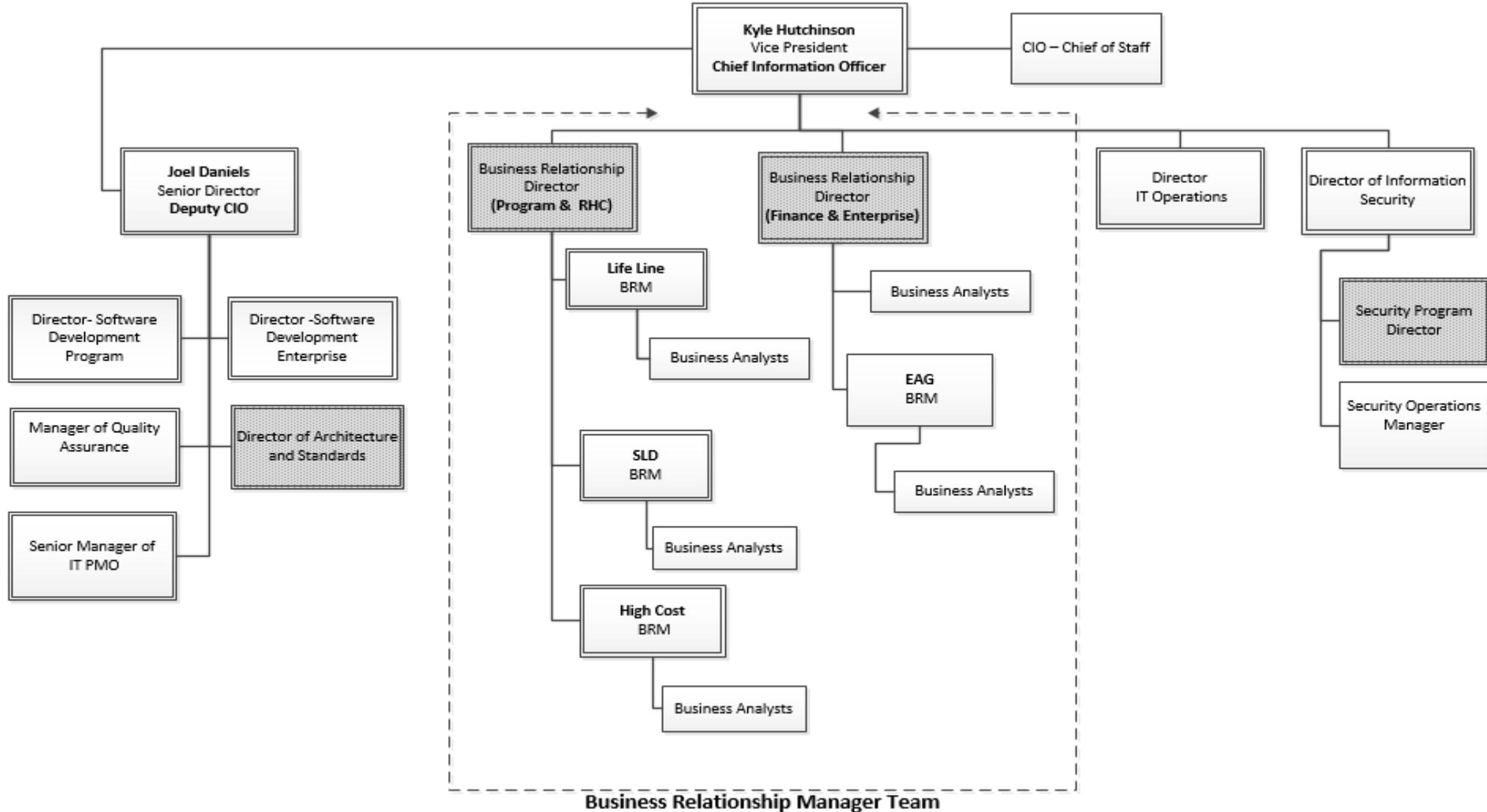
# Key IT Reorganization Principles

1. Establish Business Relationship Manager, 'BRM' roles in IT organization

   - BRM has full responsibility for Program IT Delivery
   - A BRM will be immersed in the Programs to better understand all Program business processes and provide technology guidance

2. Establish Enterprise Architecture Team

   - Institutionalize Software Development Lifecycle through Enterprise Architecture Leadership

3. Establish a Security Project Management Office to continue Application ATO success and institutionalize Continuous Monitoring
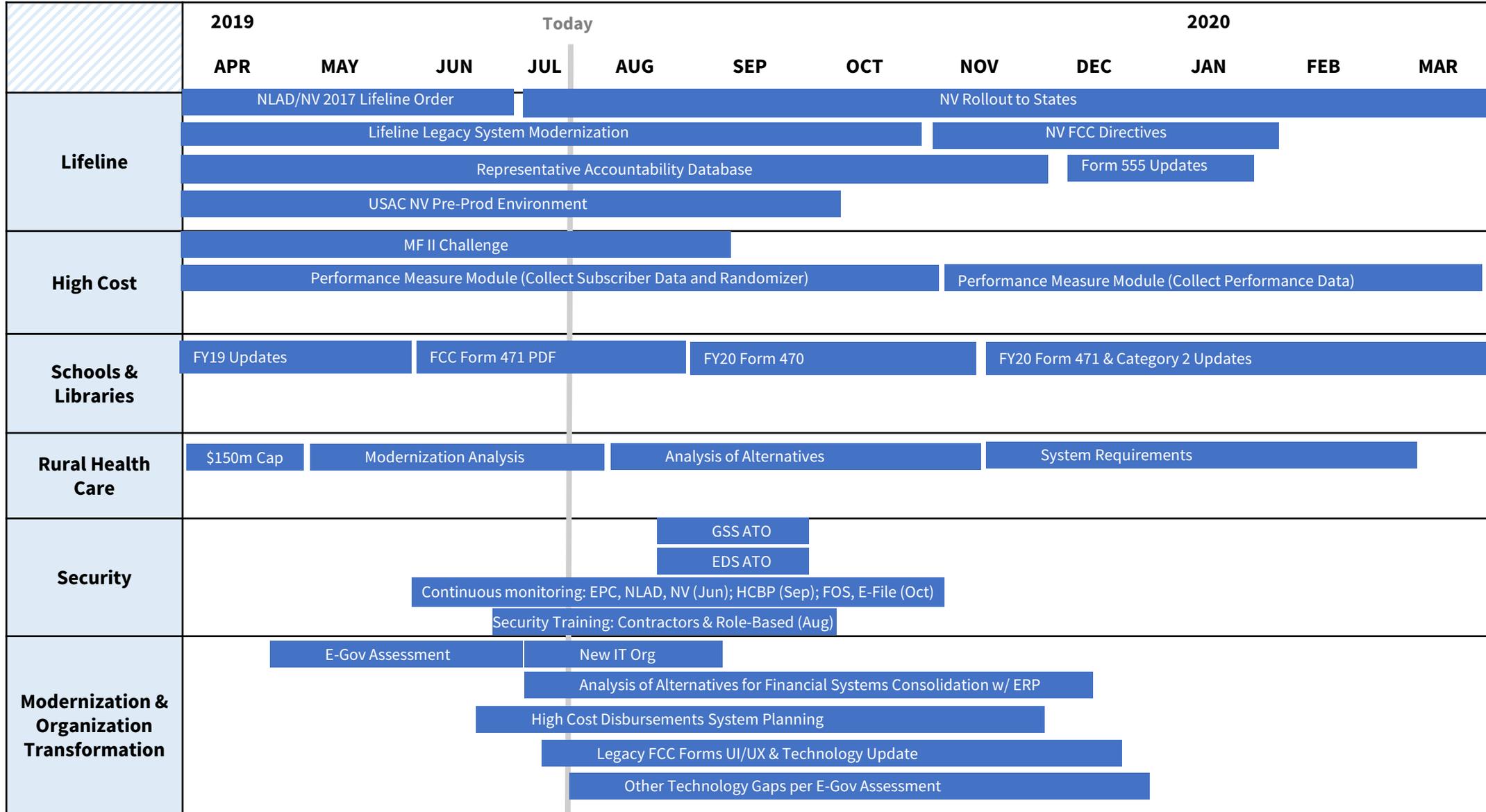
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# Security Score Card

| USF Operations | 2018 | Current Status |
|---|---|---|
| **Lifeline**<br>• **NV**<br>• **NLAD** | ATO June 2018 | Continuous Monitoring completed June 2019<br>• NV: 146/152 (96%) NIST controls satisfied<br>• NLAD: 146/152 (97%) NIST controls satisfied |
| **Lifeline BPO - Conduent** | ATO September 2018 | Findings from ATO review are being addressed in 3 phases:<br>• Phase 1-- to be completed July 31, 2019<br>• Phase 2 -- to be completed by August 15, 2019<br>• Phase 3 -- to be completed August 30, 2019. |
| **High Cost** | ATO September 2018 | Continuous Monitoring in progress – July 2019 |
| **Schools & Libraries - EPC** | ATO June 2018 | Continuous Monitoring completed June 2019<br>• 142/152 (93%) NIST controls satisfied |
| **Schools & Libraries BPO Maximus** | ATO December 2018 | Due December 2019 |
| **Financial Systems**<br>• **Great Plains (FOS)**<br>• **E-File** | ATO October 2018 | Due October 2019 |
| **Sutherland Call Center** | ATO May 2018 | Continuous Monitoring in progress<br>Target completion date – July 31, 2019 |
| **Enterprise Data Services (EDS)** | Target completion date – September 30, 2019 | |
| **General Support System (GSS)** | Target completion date – September 30, 2019 | |
| **Schools & Libraries - Legacy** | TBD | |
| **RHC** | TBD | |

**FISMA Compliance Improvements**

EPC: 2018 72%, 2019 93%
NV: 2018 77%, 2019 96%
NLAD: 2018 74%, 2019 97%

Legend: 2018, 2019

8

# IT Overall Timeline - at a Glance

| | 2019 | | Today | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **APR** | **MAY** | **JUN** | **JUL** | **AUG** | **SEP** | **OCT** | **NOV** | **DEC** | **JAN** | **FEB** | **MAR** |

**Lifeline**
- NLAD/NV 2017 Lifeline Order
- NV Rollout to States
- Lifeline Legacy System Modernization
- NV FCC Directives
- Representative Accountability Database
- Form 555 Updates
- USAC NV Pre-Prod Environment

**High Cost**
- MF II Challenge
- Performance Measure Module (Collect Subscriber Data and Randomizer)
- Performance Measure Module (Collect Performance Data)

**Schools & Libraries**
- FY19 Updates
- FCC Form 471 PDF
- FY20 Form 470
- FY20 Form 471 & Category 2 Updates

**Rural Health Care**
- $150m Cap
- Modernization Analysis
- Analysis of Alternatives
- System Requirements

**Security**
- GSS ATO
- EDS ATO
- Continuous monitoring: EPC, NLAD, NV (Jun); HCBP (Sep); FOS, E-File (Oct)
- Security Training: Contractors & Role-Based (Aug)

**Modernization & Organization Transformation**
- E-Gov Assessment
- New IT Org
- Analysis of Alternatives for Financial Systems Consolidation w/ ERP
- High Cost Disbursements System Planning
- Legacy FCC Forms UI/UX & Technology Update
- Other Technology Gaps per E-Gov Assessment

# Shared Service
# USAC Complaints Report

## Board of Directors Meeting

## July 30, 2019

**Universal Service**
Administrative Co.

# Background: Complaints Reporting

- Previous complaints reporting effort

  - Reporting began March 2008 with a one-page report submitted to FCC and posted on USAC's website

  - FCC OMD and USAC's COO chose to discontinue in 2016; report was deemed not useful due to limited complaint intake/detail, tracking, and reporting capabilities

- 2019's operational improvements

  - USAC has developed a comprehensive and transparent quarterly report for FCC in response to MOU requirements, providing greater operational transparency, including:

    - Detailed reporting of all complaints specifically about USAC ("complaint" defined on following slide)

    - Efficiency metrics and year-to-date trend analytics

    - Identification of complaint themes and resolution/mitigation strategies

    - Non-USAC (e.g. Service Providers) complaint metrics

  - Standardization and consolidation of processes allows for complaint tracking and accountability

2

# Definition and Sources

- For the purposes of this report, complaints about USAC are defined as:

  - *Any Universal Service Fund **participant-initiated contact** received through any intake channel that conveys a **sense of frustration or concern** and that **requires address or resolution by USAC personnel** (e.g., supervisor, program SME, support service)*

- Complaint intake occurs via the following sources:

  - All programs' call centers

  - USAC's *File a Complaint* web page

  - Intranet complaint reporting tool, populated by USAC employees

  - Phone calls received at USAC's main number

  - Received directly by USAC's Office of the CEO

# Complaints about USAC: Received/Resolved by Month

The following illustrates complaint volumes – received and resolved – in each month of the year through the current reporting period

Complaints about USAC: Received within and
Resolved through Q2 2019



Received in Month ———— Resolved in Month (Including Backlog)

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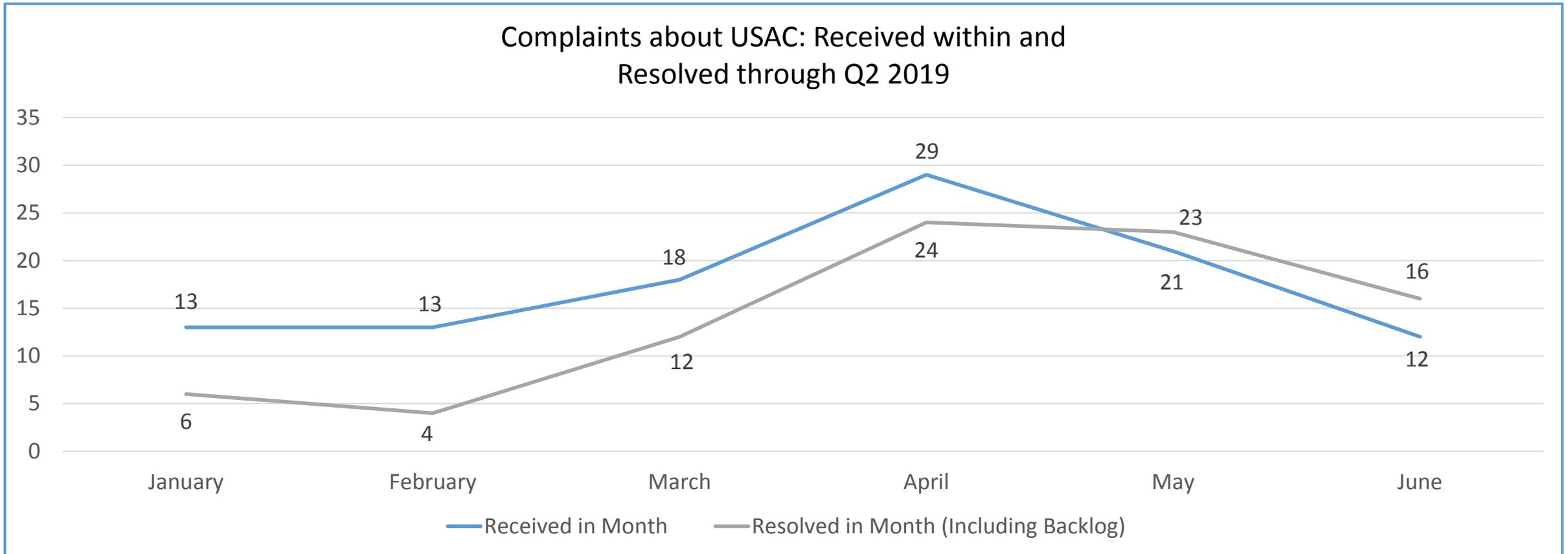
# Complaints about USAC: Resolved/Unresolved by Month Received

The following illustrates the status of complaints received in a particular month and whether they remain open or resolved



Complaints about USAC: Resolved vs. Unresolved by Month Received (2019)
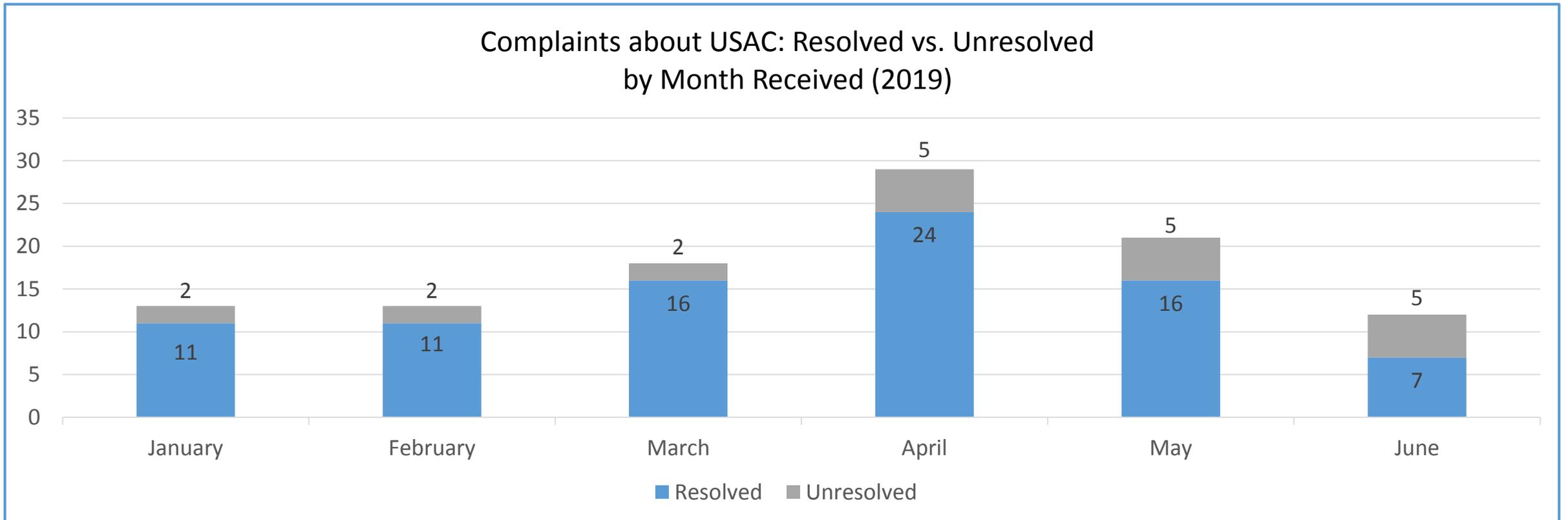
# Complaints Received in Q2 2019 about USAC by Disposition and by Program

| | High Cost | Lifeline | Rural Health Care | Schools and Libraries | Contrib. | Other |
|---|---|---|---|---|---|---|
| Incorrect/Unclear Information | | | | 2 | | |
| Late/Deficient Performance | | 1 | 1 | 34 | 1 | |
| Not Responsive | | 6 | | 7 | 1 | |
| System/Tool Issue | | 4 | | 4 | | |
| Unprofessional Exchange | | | | | | |
| Other | | | | 1 | | |
| Total | 0 | 11 | 1 | 48 | 2 | 0 |

6

# Complaints Received in 2019 about Non-USAC Entities by Disposition and Quarter

| Disposition | # of Complaints Q1 | # of Complaints Q2 |
|---|---|---|
| Application Issue | 113 | 151 |
| Benefit Transfer | 213 | 91 |
| Fraud | 10 | 10 |
| Handset Lost/Stolen/Broken | 88 | 91 |
| Missing Minutes | 2 | 12 |
| Reverification Issue | 58 | 46 |
| Service Quality | 9 | 12 |
| Other | 154 | 211 |
| Total | 589 | 624 |

# Key Complaint Themes and Resolutions

- Regarding Schools and Libraries' increased complaints volume, the BPO transition was identified by the program as a contributor to this increase (such transition challenges were not unexpected)

  - Resolution/Mitigation Strategy 1:

    - Invoicing back log has been prioritized

    - Weekly targets have been set

    - Daily meetings are being conducted to confirm/discuss progress

  - Resolution/Mitigation Strategy 2:

    - Call center leadership is addressing individual agent performance related to complaints drivers and is coaching all agents to ensure the underlying issues are effectively and quickly resolved

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

| INFORMATION ITEM |
|---|

**Enterprise Portfolio Management Office Q2 2019 Summary**

**Overall Summary**

Enterprise Portfolio Management Office (EPMO) team members are managing multiple projects and providing ongoing advice throughout USAC, most significantly involving: (1) building more robust data capabilities; (2) establishing a more mature enterprise lens; and (3) establishing standard procedures, processes, and control points across USAC.

**Key Q2 Accomplishments**

- **Data Warehouse:** Established data governance framework and data dictionary approach to ensure common definitions and data traceability across all USAC programs. Created the structure for USAC's data lake, to include all USF program source systems, and anticipate completion of the data lake in mid-August. The data lake will feed into the data warehouse, and this approach ensures any changes to source systems will be reflected in enterprise reporting.
- **Business Intelligence:** Implemented draft operational tempo dashboard for RHC eligibility, commitments, and appeals. Work should be completed at the end of Q3. Began work on LI and HC dashboards. Work is anticipated to be complete at the end of Q4. SLD operational tempo dashboard has been fully integrated in Tableau Server.
- **DATA Act:** Collaborated internally and with FCC and Treasury to complete preliminary processes necessary for DATA Act reporting; Developed DATA Act files for SLD (second program from which to capture DATA Act information)—on track for DATA Act reporting compliance beginning Q4.
- **CAF Map**: Deployed CAF Map version 2.0, which adds Rural Broadband Experiments (RBE) fund and 2018 data for existing funds; Presented CAF Map to NTCA.
- **Data Sharing**: Working closely with FCC to identify best source for FCC's USF data warehouse; delivering SLD data extract bi-weekly; developed and delivered RHC data extract; completed Interconnectivity Security Agreement (ISA) with FCC for Lifeline data.
- **ERM & CAPs:** Administered training and executed analysis for A-123 Entity-Level Assessment. Inquiry expanded to divisions as well as programs, with full participation.
- **ERM & CAPs:** Continued reduction of outstanding corrective action plans (CAPs) (CAPs > 90 days) from 745 to 303 (40% reduction)
- **Enterprise Intake/PM@USAC:** Continued progress with enterprise standards and process improvements (e.g., launched enterprise decision and prioritization process, updated framework for Project Management @ USAC methodology).

## Upcoming Q3 Activities

- **Business Intelligence:** Finalize RHC operational tempo dashboard, and continue development of RHC and LI mock-up designs.
- **Data Warehouse:** Deploy data lake to capture all USF program data and complete reporting requirements gathering for all program business processes.  Begin final physical data model design (to be finalized in Q4).
- **DATA Act:** Develop initial DATA Act reporting file for HC and LL; Begin all-up testing of DATA Act files internally and with FCC and Treasury**.**
- **CAF Map:** Collaborate with FCC and Carto (front-end mapping software provider) to feature CAF Map on Carto's Map of the Month blog.
- **Data Sharing:** Establish ISAs between USAC source systems and FCC to facilitate secure sharing of data.
- **ERM & CAPs**: Submit A-123 Entity-level assessment, start training and execution on risk inventories and process narrative updates, and continue execution of Risk Management Council meetings**.**
- **ERM & CAPs:** Continue CAPs resolution work and finalize CAP process policy and procedures.
- **Enterprise Intake/PM@USAC:** Continue establishing enterprise standards and process improvements (e.g., oversee enterprise decision and prioritization process, develop and deliver training on Project Management @ USAC)

## ERM/GRC: USAC's Framework: