



Board of Directors

Briefing Book

Tuesday, October 29, 2019

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

Universal Service Administrative Company Offices

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

Washington, D.C. 20005

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

**Tuesday, October 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>OPEN SESSION</u> | <i>Estimated Duration in Minutes</i> |
|----------|---|--|
| Chair | a1. Consent Items (each available for discussion upon request): A. Approval of Board of Directors Meeting Minutes of July 30, 2019 and October 7, 2019. B. Approval of moving all <i>Executive Session</i> Items into <i>Executive Session</i> | 5 |
| 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 1st Quarter 2020 Budgets for the November 1, 2019 FCC Filing | 15 |
| Chair | a4. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs | 10 |
| Kim | a5. Consideration of Approval to Reimburse Board Members to Attend an Event Other Than a USAC Board or Committee Meeting | 5 |
| Charlie | a6. Approval to Dissolve the <i>USAC Funds Guidelines for Investments</i> and the USAC Investment Committee | 10 |
| Kyle | i1. Enterprise Business Updates: B. Information Technology Update | 30 |
| Chris B. | C. Enterprise Portfolio Management Office(EPMO) Q3 2019 Summary <i>(For Information Only)</i> | – |

| <u>EXECUTIVE SESSION</u> | | |
|---|--|----|
| Confidential – Executive Session Recommended | | |
| Radha | i1. Enterprise Business Updates (Continued): A. CEO Business Update | 25 |
| Chris | C. EPMO - Enterprise Risk Management Update (<i>continued</i>) | 30 |
| Tamika | D. Human Resource Business Update | 20 |
| Charlie | E. Information on Contribution Factor | 15 |

| <u>EXECUTIVE SESSION</u> | | |
|---|---|----|
| Confidential – Executive Session Recommended | | |
| Craig | F. Procurement Business Update | 5 |
| Craig | a7. Consideration of Contract Awards for the Beneficiary and Contributor Audit Program Services | 10 |
| Craig | a8. Consideration of One-Year Contract Option for Call Center Services | 10 |
| Craig | a9. Consideration of Increase in the Not-to-Exceed Contract Value for the Dell/EMC Transformational License Agreement | 10 |
| Craig | a10. Consideration of Increase in the Not-to-Exceed Contract Value for Okta Licensing | 10 |
| Craig | a11. Consideration of One-Year Contract Renewal for Oracle License Support | 10 |
| Jen Crowe | i2. Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports | 5 |
| Kim/ Mitch | i3. Fraud Risk Assessment Framework | 15 |
| Tamika | a12. Personnel Matter - Consideration of 2020 Merit-Based Salary Increase and Incentive Award Program for USAC Employees | 15 |
| Kim | i4. Board Discussion on Confidentiality | 5 |
| 12:00 p.m. | Executive Session – E-Gov (Lunch) | 60 |

Next USAC Board of Directors Meeting

| |
|---|
| <p>Tuesday, January 28, 2020 8:30 a.m. – 2:00 p.m. Eastern Time USAC Offices, Washington, D.C.</p> |
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**Universal Service Administrative Company
Board of Directors Meeting**

ACTION ITEM

Consent Items

Action Requested

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

Discussion

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

- A. Board meeting minutes of July 30, 2019 and October 7, 2019 (*see Attachments A-1 and A-2*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **ii** – Enterprise Business Updates.
 - **A.** CEO Business Update. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of *internal controls and/or confidential company data*, and *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*.
 - **C.** Enterprise Portfolio Management Office (*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.
 - **D.** Human Resource Business Update. USAC management recommends that occur in *Executive Session* because it involves *confidential company data* and *personnel matters*.
 - **E.** 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) **a7.** Consideration of Contract Awards for the Beneficiary and Contributor Audit Program Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (3) **a8.** Consideration of One-Year Contract Option for Call Center Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (4) **a9.** Consideration of Increase in the Not-to-Exceed Contract Value for the Dell/EMC Transformational License Agreement. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (5) **a10.** Consideration of Increase in the Not-to-Exceed Contract Value for Okta Licensing. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (6) **a11.** Consideration of One-Year Contract Renewal for Oracle License Support. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
 - (7) **i2.** 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*.
 - (8) **i3.** Information on USAC Fraud Risk Assessment Framework. 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.
 - (9) **a12.** Personnel Matter – Consideration of 2020 Merit-Based Salary Increase and Incentive Award Program for USAC Employees. USAC management recommends that occur in *Executive Session* because it involves *personnel matters*.

- (10) **i4.** Board Discussion on Confidentiality. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of matters subject to *attorney-client privilege*.
- (11) E-Gov – Board Lunch. 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

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 July 30, 2019 and October 7, 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, July 30, 2019

(DRAFT) MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, July 30, 2019. Mr. Joel Lubin, Board Chair, called the meeting to order at 8:31 a.m. Eastern Time, with a quorum 17 of the 19 Board members present:

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

Ms. Olivia Wein, Board Secretary, joined the meeting at 8:46 a.m. Eastern Time. She did not vote on items a1, a2, or a3.

Members of the Board not present:

Feiss, Geoff

Officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
Hutchinson, Kyle – Vice President and Chief Information Officer

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.

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> |
|------------------------|------------------|
| Bailey, Macey | USAC |
| Barrett, Henry | USAC |
| Batista, Everton | USAC |
| Bliss, Edward | USAC |
| Carpenter, Nikki-Blair | USAC |
| Crowe, Jen | USAC |
| Daguiar, Jamie | USAC |
| Daniels, Joel | USAC |
| Dankoff, Carrie | USAC |
| Gasztonyi, Laszlo | USAC |
| Goode, Vernell | USAC |
| Gustafson, Jaymie | USAC |
| Haur, Allen | Avitecture |
| Hughet, Pamela | USAC |
| Jalloh, Isata | USAC |
| Jones, Peggy | USAC |
| Kim, Nathan | USAC |
| Kriete, Debra | South Dakota DOE |
| Lawson, Suzanne | USAC |
| Lee, Brandon | USAC |
| Little, Chris | USAC |
| Matthews, Ellery | USAC |
| Miller, Arielle | USAC |
| Mitchell, Tamika | USAC |
| Morning, Kim | USAC |
| Nuzzo, Patsy | USAC |
| Palmer, Ryan | FCC |
| Parker, Ben | USAC |
| Patel, Amish | USAC |
| Sherlock, Matthew | USAC |
| Tamm, Nico | USAC |
| Theobald, Fred | USAC |
| Tiwari, Tanya | 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 the April 30, 2019 and May 21, 2019.

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

(1) **i1** – Enterprise Business Updates (*Continued*).

- **A.** CEO Business Update (*Continued*). USAC management recommends that discussion of this item occur in *Executive Session* because it involves *confidential company data and internal controls*.
- **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.

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 April 30, 2019 and May 21, 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.
- a3. **Approval of USAC Common and Consolidated 4th Quarter 2019 Budgets for the August 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 4th quarter 2019 budgets for the August 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 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.

i1. Enterprise Business Updates:

A. CEO Business Update. Ms. Sekar presented PowerPoint slides covering the following to the Board:

1. Recap of all Action Items from previous Board Meeting
2. Upcoming USAC Priorities:
 - Digital Opportunity Data Collection
 - Connected Care Pilot Program
 - E-rate Modification of FCC Form 470
 - National Verifier Rollout
 - High Cost Rural/Broadband Fund
 - Enterprise Resource Planning (ERP)
 - Rural Health Care Reform Order

B. Information Technology Business Update. Mr. Hutchinson and Mr. Daniels presented PowerPoint slides covering the following to the Board:

1. Current IT Issues and Future Vision
2. Q2 2019 Activities & Progress to meet the IT Vision
3. IT Reorganization
4. Security Score Card
5. IT Timeline at a Glance

C. Shared Services Business Update – USAC Complaints Report. Mr. Little presented PowerPoint slides covering the following to the Board:

1. Background: Complaints Reporting
2. Definitions and Sources
3. Complaints:
 - About USAC: Received/Resolved
 - About USAC: Resolved/Unresolved
 - About USAC: Q2 by Disposition and Program
 - About Non-USAC Entities by Disposition and Quarter
4. Key Complaint Themes and Resolutions

D. Enterprise Portfolio Management Office Business Update – Q2

Summary. The EPMO Q2 2019 Summary was provided for information purposes only.

At 10:09 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 10:25 a.m. Eastern Time.

EXECUTIVE SESSION

D. Enterprise Portfolio Management Office Business Update (Continued) – Enterprise Risk Management Update. Mr. Beyerhelm presented PowerPoint slides covering the following to the Board:

1. Enterprise Risks:
 - 2019 Q1 Heatmap
 - 2019 Q1 Risks with Revised Q2 Status
 - Q2 Heatmap
2. Data Act Project
 - Introduction
 - Scope of USAC Reporting
 - Timeline
 - Stakeholder Impact

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 4th quarter 2019 contribution factor.

F. Procurement Business Update. Mr. Davis presented PowerPoint slides to the Board that covered the following:

1. Procurement Organizational Changes
2. Procurement At a Glance: 3Q & 4Q 2019
3. Procurement Process & Improvements

i2. USAC’s 2018 Annual Financial Audit and Agreed Upon Procedures Review. Mr. Salvator presented this item to the Board.

At 12:00 p.m. Eastern Time, the Board moved recessed for lunch, reconvening in *Executive Session* at 1:00 p.m. Eastern Time.

i1A. CEO Update (Continued). Ms. Sekar continued her presentation to the Board.

i3. Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Report. The Board received a report with information on two USAC Audit and Assurance Division contributor revenue audit

reports. The reports were provided for informational purposes; no discussion was held on this item.

- a4. Requests by Board Members for Non-Public Information.** Mr. Beckford presented this item 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 adopts the proposed procedure for requesting non-public information related to the Universal Service Fund that may be relevant to the oversight functions of the Board or its Committees.

OPEN SESSION

At 1:38 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 item a4 and discussed items i1, i2, and i3.

On a motion duly made and seconded, the Board adjourned at 1:48 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, October 7, 2019

(DRAFT) MINUTES¹

A meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, October 7, 2019. Mr. Joel Lubin, Board Chair, called the meeting to order at 4:05 p.m. Eastern Time, with a quorum of 13 of the 19 Board members present:

Bocher, Robert – *by telephone*

Buzacott, Alan – *by telephone*

Choroser, Beth – *by telephone*

Feiss, Geoff – *by telephone*

Gerst, Matthew – *by telephone*

Gillan, Joe – Vice Chair – *by telephone*

Jacobs, Ellis – *by telephone*

Lubin, Joel – Chair – *by telephone*

Mason, Ken – Treasurer – *by telephone*

Sekar, Radha – Chief Executive Officer

Wade, Dr. Joan – *by telephone*

Wein, Olivia – Secretary – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Ms. Cynthia Kinser joined the call at 4:18 p.m. Eastern Time. She participated in the discussion and voted on item a1.

Members of the Board not present:

Domenech, Dr. Dan

Fontana, Brent

Freeman, Sarah

Schell, Julie Tritt

Tinic, Atilla

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

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

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:

| <u>NAME</u> | <u>COMPANY</u> |
|------------------------------------|----------------|
| James, Christine | USAC |
| Mitchell, Tamika | USAC |
| Nuzzo, Patsy – <i>by telephone</i> | USAC |
| Tiwari, Tanya | USAC |

OPEN SESSION

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

- a1. **Consideration of Contract Awards for the USAC Employee Benefit Programs.** 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 4:06 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. **Consideration of Contract Awards for the USAC Employee Benefit Programs.** 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 USAC employee benefits for calendar year 2020, to include medical and prescription drug benefits and dental, vision, life and disability benefits.

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 USAC management, subject to FCC approval, to award a one-year contract for employee medical benefits to Cigna for a not-to-exceed cost of \$13,592,818, and to award a one-year contract to Guardian for dental, vision, life, and disability benefits, for a not-to-exceed cost of \$1,455,266. The total estimated costs for the 2020 USAC employee benefits program is \$15,048,084.

OPEN SESSION

At 4:29 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 Board took action on item a1.

On a motion duly made and seconded, the Board adjourned at 4:32 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
1st Quarter 2020 Budgets for the November 1, 2019 FCC Filing**

Action Requested:

The USAC Board of Directors (Board) is requested to approve the 1st Quarter 2020 (1Q2020) common and consolidated budgets for submission to the Federal Communications Commission (FCC) in USAC's November 1, 2019 quarterly filing.

Discussion:

The 1Q2020 USAC consolidated budget of \$59.10 million represents approximately 25% of the preliminary 2020 annual USAC consolidated budget of \$239.63 million. This includes \$35.19 million in direct program costs and \$23.91 million in common indirect costs.

| <i>(\$ in millions)</i> | 1Q2020 Budget |
|---|----------------------|
| Direct Program & Direct Assigned Costs | |
| High Cost | \$7.75 |
| Lifeline | 12.09 |
| Rural Health Care | 3.19 |
| Schools & Libraries | 12.16 |
| Total Direct Program & Direct Assigned Costs | \$35.19 |
| Common Costs | |
| Employee Expenses | \$11.91 |
| Professional Services | 5.98 |
| General & Administrative (Note 1) | 6.02 |
| Total Common Costs | \$23.91 |
| Total Consolidated Costs | \$59.10 |

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 nine months ending September 30, 2019 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Board approve the 1Q2020 budgets as proposed.

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors approves a 1st Quarter 2020 common budget of \$23.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$23.91 million for common costs in the required November 1, 2019 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 2020 consolidated budget of \$59.10 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$59.10 million for consolidated costs in the required November 1, 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
Nine Months Ending September 30, 2019

| <i>(\$ in millions)</i> | FTE Actual | FTE Budget | FTE Variance | YTD Actual | YTD Budget | Variance |
|---|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------|
| Direct Program & Direct Assigned Costs | | | | | | |
| High Cost | 50 | 56 | 6 | \$9.89 | \$16.91 | \$7.02 |
| Lifeline | 67 | 70 | 3 | 24.79 | 34.70 | 9.91 |
| Rural Health Care | 55 | 55 | 0 | 6.19 | 7.23 | 1.04 |
| Schools & Libraries | 67 | 73 | 6 | 33.87 | 41.72 | 7.85 |
| Total Direct Program & Direct Assigned Costs | 239 | 254 | 15 | \$74.74 | \$100.56 | \$25.82 |
| Common Costs | | | | | | |
| Employee Expenses | 320 | 344 | 24 | \$35.42 | \$39.68 | \$4.26 |
| Professional Services | | | | 9.72 | 19.71 | 9.99 |
| General & Administrative (Note 2) | | | | 17.35 | 18.12 | 0.77 |
| Total Common Costs | 320 | 344 | 24 | \$62.49 | \$77.51 | \$15.02 |
| Total Consolidated Costs | 559 | 598 | 39 | \$137.23 | \$178.07 | \$40.84 |

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.

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

ACTION ITEM

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

Action Requested

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

Function of the Nominating Committee

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

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

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

² See Nominating Committee Charter, Section A.

Establishment of a Nominating Committee and Selection of Officers

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

New officer terms will begin when elected, which is presently planned to occur at the January 28, 2020 Board meeting. The current officers of the Corporation are as follows:

| Officer Position | Incumbent |
|--------------------------------------|--|
| Chair | Joel Lubin |
| Vice Chair | Joe Gillan |
| Secretary | Olivia Wein |
| Treasurer | Ken Mason |
| Chief Executive Officer ³ | Radha Sekar |
| Assistant Secretary | Ernesto Beckford, Vice President and General Counsel |
| Assistant Treasurer | Charles Salvator, Vice President of Finance and Chief Financial Officer |
| USAC Staff ⁴ | <ul style="list-style-type: none"> • Catriona Ayer – VP of Schools and Libraries • Chris Beyerhelm – VP of Enterprise Portfolio Management • Craig Davis – VP of Procurement and Strategic Sourcing • Victor Gaither – VP of High Cost • Michelle Garber – VP of Lifeline • Kyle Hutchinson – VP and Chief Information Officer • Mark Sweeney– VP of Rural Health Care and Shared Services • Teleshia Delmar – VP of Audit and Assurance |

Appointment of Board Members to Committees

³ The Chief Executive Officer (CEO) is elected to a term coincident with the term of the CEO’s employment and is not elected annually.

⁴ 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 or is removed by the Board or the CEO from such position; therefore, these positions are not elected annually. However, the positions of Assistant Secretary and Assistant Treasurer are elected annually.

USAC management notified the Wireline Competition Bureau and the Office of Managing Director on July 25, 2019 of the terms of six Board members expiring on December 31, 2019. On August 27, 2019, the Federal Communications Commission (FCC) issued a Public Notice (PN) seeking nominations for the seats held by these Board members. The directors whose terms expire on December 31, 2019 and their current committee memberships and officer positions (if any) are as follows:

| Director | Representing | Committee Assignments / Officer Position |
|---------------------|---|---|
| Robert Bocher | Libraries that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501 | SL (Libraries Representative) |
| Beth Choroser | Cable operators | AC (SL Representative); SL (At-Large) |
| Dr. Daniel Domenech | Schools that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501 | Executive (SL Chair); Executive Compensation Committee; SL (Chair) |
| Matthew Gerst | Commercial mobile radio service providers | HCLI (Wireless Provider) |
| Cynthia Kinser | State consumer advocates | AC (RHC Representative); Executive Compensation Committee; HCLI (Consumer Advocate); RHC (Consumer Advocate) |
| Joel Lubin | Incumbent local exchange carriers (Bell Operating Companies) | Executive (Board Chair); Executive Compensation Committee – Non-voting member; HCLI (Non Rural ILEC) |

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors establishes a Nominating Committee and directs the Committee to recommend to the USAC Board of Directors at its January 28, 2020 meeting nominations for the elected USAC officer positions; and

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

RESOLVED FURTHER, that the USAC Board of Directors directs each committee of the Board to bring to the Board at the January 28, 2020 meeting nominations for a chair and vice chair of each respective committee.

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

ACTION ITEM

**Consideration of Approval to Reimburse Board Members to Attend an Event
Other Than a USAC Board or Committee Meeting**

Issue:

USAC Board of Directors (Board) policy requires that a Board member must request approval from the Board or appropriate committee for reimbursement of expenses for attendance at a non-USAC Board or committee meeting or event before any such reimbursement can be made.

Background – Analysis – Justification:

One or more Board members will be travelling to Washington, D.C. to discuss the 2020 annual budget with the Chief Executive Officer (CEO), the Chief Information Officer (CIO), and associated staff. The Board Chair, Mr. Joel Lubin, has requested that he, together with the Board Vice Chair, Mr. Joe Gillan, and the Board Treasurer, Mr. Ken Mason, participate in these discussions in person. Board members participating in the meetings may be reimbursed by USAC for any reasonable and customary travel expenses associated with this effort. 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* (see **Attachment A** to this issue paper), those Board members participating in the meetings will submit a USAC Form 3001 – *Request for Approval for a Board Member to be Reimbursed for Expenses Other than for Board Meetings* (see **Attachment B** to this issue paper) and will list estimated travel costs for their travel.

The procedures approved by the Board require that the reimbursement be directly related to the responsibilities of the Board in managing the affairs of USAC. These proposed trips are directly related to the business of USAC.

Recommended USAC Board of Directors Action:

APPROVAL OF 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 2020 Budget Planning Review.

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

1. The Board member must seek prior approval for reimbursement of expenses associated with activities other than a Board meeting and must submit a Request for Approval form (See attached Form 3001 – *Request for Approval for a Board Member to be Reimbursed for Expenses other than for Board Meetings*) to the USAC CEO that includes the following information:
 - a. The name and location of the event.
 - b. The name of the sponsor.
 - c. The purpose and substance of the event.
 - d. How the function, event, or activity is directly related to the administration of the universal service program or programs.
 - e. Why it is essential to USAC and the universal service program or programs for the Board member specifically to participate and how participation is vital to achieving USAC's goals.
 - f. The estimated cost of participation.
 - g. A commitment that the Board member will include a statement that he or she is representing USAC and that the Board member will not advocate a policy position.
2. The USAC CEO will provide a recommended Board or Committee Resolution, along with a summary of the justification provided by the Board member, to the Board or the relevant Board Committee for review.
3. The USAC CEO will request an email response from each Board or relevant Committee member by a certain date and time.
4. The USAC CEO will inform the Board member as well as the Board or relevant Committee of the decision.
5. The request will be approved if all Board or relevant Committee members support the request.
6. The Board member should submit documentation of actual expenditures to the USAC CEO for reimbursement.



REQUEST FOR APPROVAL FOR A BOARD MEMBER TO BE REIMBURSED
 FOR EXPENSES OTHER THAN FOR BOARD MEETINGS

USAC 3001 9/2017

| To be Completed by Board Member | | | | |
|---|--|---|--|---|
| Last Name | | First Name | | Date(s) of Event |
| Event Title | | Sponsor | | Location |
| Purpose and Substance of the Event | | | | |
| How the Event is Directly Related to the Administration of the Fund | | | | |
| Why Board Member Participation is Necessary | | | | |
| How Participation Achieves USAC Goal | | | | |
| Estimated Costs | | Actual Costs | | |
| Registration | | Registration | | |
| Meals | | Meals | | |
| Lodging | | Lodging | | |
| Travel | | Travel | | |
| Miscellaneous | | Miscellaneous | | |
| TOTAL | | TOTAL | | |
| I will include a statement in the presentation or speech that I am representing USAC and I will refrain from advocating a policy position in the presentation or speech and in any conversations or discussions. | | | | |
| Board Member Signature: | | | Date: | |
| To be Completed by USAC | | | | |
| Date Resolution submitted to Board or Committee: | | | Date Vote of Board or Committee Completed: | |
| Vote Count ___ Yes ___ No ___ Abstain | | Actual Costs Approved by CEO ___ Yes ___ No | | Account Code: 61200-60-600-60 |
| <ul style="list-style-type: none"> • Attach receipts for any expenditure over \$50.00. USAC will reimburse the actual cost of meals at or below \$50 without receipts. Meals exceeding \$50 must be accompanied by an ITEMIZED receipts. • USAC does not reimburse first class airfare or alcohol. • Standard IRS mileage rates. • All expense must be in compliance with USAC's Travel and Expense Policy in order to be reimbursed. Please attach a detailed list of each expense category to ensure compliance. | | | | |

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

ACTION ITEM

Approval to Dissolve the *USAC Funds Guidelines for Investments* and the USAC Investment Committee

Action Requested:

The USAC Board of Directors (Board) is requested to approve dissolving the *USAC Funds Guidelines for Investments (Investment Guidelines)* and the USAC Investment Committee (Investment Committee).

Discussion:

In October 1997, the Board adopted the *Investment Guidelines*, which established criteria for managing the investment of all funds held by USAC pending disbursement. Further, the *Investment Guidelines* established the Investment Committee comprised of the Chief Executive Officer, Treasurer, Assistant Treasurer, Chief Operating Officer, and General Counsel (non-voting member). The *Investment Guidelines* currently require the Investment Committee to meet at least semi-annually to review investment performance, outlook, and strategy.

As of April 2018, USAC is no longer making new investment purchases due to the transfer of cash held for the Universal Service Fund to the U.S. Treasury. Funds held in the U.S. Treasury will not be invested. The final investment was liquidated and transferred to the U.S. Treasury upon maturity on August 15, 2019.

Because USAC no longer holds any investments and will not make any new investments, it is not necessary to maintain *Investment Guidelines* or an Investment Committee. For these reasons, USAC management proposes to dissolve both the *Investment Guidelines* and the Investment Committee.

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Board of Directors approves dissolving the *USAC Funds Guidelines for Investments* and the Investment Committee.

Briefing book excludes all materials discussed in Executive Session

Information Technology Update

USAC Board of Directors Meeting
October 29, 2019



Agenda: Information Technology Update

Briefing book excludes all materials discussed in Executive Session.

| Topic | Description | Purpose | Presenter | Length |
|--------------------------|---|---------------|-----------|--------|
| IT Accomplishments/Plans | Q3 2019 Activities and 2020 Outlook <ul style="list-style-type: none">2019 Q3 Updates at a GlanceQ4 2019-2020IT Security/FISMA Snapshot | Informational | Kyle | 15 min |

2019 Q3 IT Update: At-a-Glance

Briefing book excludes all materials discussed in Executive Session.

Mission Critical Deliverables

- Lifeline NV Medicare API (in production)
- Lifeline NV Test Environment (conceptual design)
- Lifeline NV Carrier API in Pre-Prod
- Lifeline Modernization (complete)
- High Cost Performance Measurements (Phase I complete)
- Schools FCC Form FY20 updates

Vision

- Established Business Relationship Managers for each USF program
- Enhanced Architecture capability
- Increased discipline around the System Development Lifecycle (SDLC)

Technology

- E-Gov observations, recommendations, next steps report complete; Execution in-progress
- Improving USAC's USF microservices-based application architecture and cloud footprint
- Enterprise Resource Planning (ERP) Preparation: Current state analysis of Schools Legacy Invoicing/Payments system; current state analysis of USF Financial Systems; and research of Business Rules engine for RHC/ERP prototype

IT Security

- General Support System (GSS) ATO
- Enterprise Data Services (EDS) ATO
- Continuous monitoring programs for Lifeline, High Cost, & Schools established
- Technology to facilitate Multi-Factor Authentication for USF program participants in development
- Moving USAC's document content to Microsoft's Office 365 secure Government Cloud

| | | |
|-----------------------|---|--|
| High Cost | <ul style="list-style-type: none"> Eligible Locations Adjustment Process (ELAP) Digital Opportunity Data Collection (DODC) Performance Measures (Phase 2 & 3) | <ul style="list-style-type: none"> For DODC, rationalizing the Carriers using the FCC Form 477 system and USAC's High Cost Broadband System |
| Lifeline | <ul style="list-style-type: none"> Migrate maintenance and operations of NV in-house | <ul style="list-style-type: none"> NV resides on the ServiceNow and the Accenture Insights Platform Transfer of Knowledge from Accenture to USAC Developing an Operational/Support USAC Team |
| RHC | <ul style="list-style-type: none"> New Modernization Order system capabilities RHC prototype with the use of Business Rules and ERP | <ul style="list-style-type: none"> Unknowns revolving around ERP technology/interfaces, centralized business rules, and simultaneously incorporating new FCC requirements |
| E-rate | <ul style="list-style-type: none"> FCC Form 470 (Description of Services Requested and Certification Form) enhancements for an improved user experience Holds / Watch Automation Enhance Wave Process to improve Commitment speed E-Rate Legacy System retirement plan | <ul style="list-style-type: none"> Selecting the right path and getting user recommendations/acceptance for an intuitive user experience that facilitates compliance with E-Rate rules Extraction of the old fund year business rules |
| Infrastructure | <ul style="list-style-type: none"> Analysis of Financial Mgmt operations across USF programs with improved integration and technology centered around an ERP Address gaps in technology (EGov Assessment): Business rules management, Process Automation Address aging applications – HC Disbursements Calculation engine, Schools Legacy System invoicing (via ERP), RHC applications, USF Finance applications (via ERP) Populate Enterprise Data Warehouse for cross-program Business Intelligence & centralized data access Grow cloud footprint - Extend current USF applications to public cloud | <ul style="list-style-type: none"> Incorporating custom financial processes, applications, and USF business rules into a Commercial off the Shelf (COTS) ERP Resourcing the replacement of aging applications under budget constraints |

IT Security/FISMA Snapshot

Briefing book excludes all materials discussed in Executive Session.

| | System | Authorization To Operate | Continuous Monitoring | Risk Acceptance |
|---------------------|--|--------------------------|-----------------------|--|
| Lifeline | National Verifier (NV) | ✓ | ✓ | |
| | National Lifeline Accountability Database (NLAD) | ✓ | ✓ | |
| | Conduent BPO | ✓ | | |
| High Cost | High Cost Universal Broadband (HUBB) | ✓ | ✓ | |
| Schools & Libraries | E-Rate Productivity Center (EPC) | ✓ | ✓ | |
| | E-Rate Legacy System | | | Current RA expires 2020 Next RA in 2020 |
| | Maximus BPO | ✓ | December 2019 | |
| RHC | Telecom System | | | End 2019 |
| | Healthcare Connect Fund (HCF) | | | End 2019 |
| USF Finance | E-File | ✓ | ✓ | |
| | Great Plains | ✓ | ✓ | |
| Infrastructure | Enterprise Data Services (EDS) | ✓ | | |
| | General Support System (GSS) | ✓ | | |

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

INFORMATION ITEM – OPEN SESSION

Enterprise Portfolio Management Office Q3 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 Q3 Accomplishments

- **Data Warehouse:** Completed the data lake on schedule, including all USF program source systems and financial systems. Completed logical data models for SLD, HC, and LI. Completed physical data model for SLD.
- **Data Sharing:** Working closely with FCC to establish connections between FCC and USAC production systems; delivering SLD and RHC data extract bi-weekly; completing umbrella Interconnectivity Security Agreement (ISA) with FCC for other USAC systems.
- **Business Intelligence:** Completed operational tempo dashboard for RHC eligibility, commitments, invoicing, and appeals, on schedule by the end of Q3. Finalized draft mock-ups for HC dashboards and began implementation, with completion scheduled for the beginning of Q4. Completed USAC quality assurance (QA) and business process outsourcing (BPO) vendor management reports for SLD.
- **Document Management Strategy:** Continued development efforts related to Microsoft Office 365 implementation, landing page redesigns for USAC intranet, and other associated activities aimed to consolidate and streamline the storage, security, and management of USAC documents.
- **COOP:** Led cross-functional effort to revise, update, and communicate USAC's Continuity of Operations Plan (COOP) in the event of a significant unplanned disruption, disaster, or emergency.
- **USAC Privacy Practices:** Developed and rolled out several new USAC policies and procedures highlighting practices aimed to protect privacy and confidentiality, and improve handling and management of sensitive documents.
- **ERM:** Started groundwork for development of the Risk Community of Practice, a collaborative USAC-wide group used to further awareness and understanding of fraud risk and risk application at USAC.

- **CAPs:** Continued reduction of outstanding corrective action plans (CAPs) (CAPs > 90 days) from 745 to 216 (71% reduction).
- **Enterprise Intake/PM@USAC:** Finalized revisions to enterprise project management standards, including integration of system development life cycle (SLDC) and Business Relationship Managers, in latest Project Management @ USAC methodology; developing communications and roll-out strategy.

Upcoming Q4 Activities

- **DATA Act:** Complete testing of DATA Act files internally and with FCC and Treasury; deliver first Financial Assistance Broker Submission (FABS) file in November. Continue progressively more prescriptive communications to reach 100% compliance with providing service provider and applicant business type to Form 498.
- **Data Warehouse:** Finalize physical data model design and deploy data warehouse for all USF programs and finance by the end of Q4. Build semantic layer for Tableau on data warehouse for each program for easy user reporting.
- **Data Sharing:** Establish ISAs between USAC source systems and FCC to facilitate secure sharing of data.
- **Business Intelligence:** Finalize HC operational tempo dashboard in Tableau and continue development of LI report mock-ups. Finalize SLD management report design in Tableau. Begin mock-up report design for finance reporting.
- **CAF Map:** Collaborate with FCC and Carto (front-end mapping software provider) to feature CAF Map on Carto's Map of the Month blog and begin planning for map update in 2020.
- **COOP:** Roll out and conduct training sessions for essential COOP personnel.
- **USAC Privacy Practices:** Develop training for USAC staff and conduct review on compliance.
- **Document Management Strategy:** Pilot document location and collaboration tools with select Program and Divisions, preparing for the 2020 release of Office 365.
- **ERM:** Continue update of risk inventories and process narrative updates, and continue development of the Risk Community of Practice.
- **CAPs:** Continue CAPs resolution work and finalize CAP process policy and procedures.
- **Enterprise Intake/PM@USAC:** Develop and deliver training on Project Management @ USAC; Pilot IT-wide intake and prioritization process; Re-establish the PM Community of Practice.