



Board of Directors

Briefing Book

Friday, April 21, 2023

10:00 a.m. – 1:00 p.m. Eastern Time

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Universal Service Administrative Company

700 12th Street NW, Suite 900

Washington, DC, 20005

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

**Friday, April 21, 2023
10:00 a.m. –1:00 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 January 23 and 31; and March 16, 2023 B. Approval of moving all <i>Executive Session</i> Items into <i>Executive Session</i> C. Consideration and Approval of Four Routine Procurements	5
Chair	i1. Reports from the Committee Chairs: Audit Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee	10
Michelle	a2. Approval of Connected Care Pilot Program 3rd Quarter 2023 Budget and Demand Projection for the May 2, 2023 Federal Communications Commission Filing	5
Mark	i2. Connected Care Pilot Program Update (<i>For Information Only</i>)	-
Michelle	a3. Approval of USAC Common and Consolidated 3rd Quarter 2022 Budgets for the May 2, 2023 FCC Filing	10
Teleshia	i3. Information on Three Supply Chain Audit Reports	5
Radha Tim	i4. Enterprise Business Updates A. Appropriated Programs <ul style="list-style-type: none"> • Emergency Connectivity Fund (ECF) • Affordable Connectivity Program (ACP) B. Call Center Transition C. ACP Updates <ul style="list-style-type: none"> • System Modernization Efforts • Data Transparency Collection Project 	20

<u>EXECUTIVE SESSION</u> Confidential – Executive Session Recommended		<i>Estimated Duration in Minutes</i>
Steve	i5. Enterprise Business Updates <i>(Continued)</i> A. 2022 Complaints Report Synopsis	10
Michelle	i6. Information on Contribution Factor	5
Chris	i7. Enterprise Risk Management: 1. 1Q 2023 Risk Management Update 2. Risk Management Council Minutes <i>(For Information Only)</i>	–
Chris	i8. Procurement Business Update <i>(For Information Only)</i>	–
Chris	a4. Consideration of a Contract Award for Computer Matching Program Operations and Maintenance Services <i>(same as aHCLI04)</i>	5
Chris	a5. Consideration of a Contract Award for EnterpriseDB Postgres Licenses and Support Services	5
Chris	a6. Consideration of Contract Award for Proofpoint Licenses and Support Services	5
Chris	a7. Consideration of Contract Award for AWS GovCloud Hosting Services	5
Chris	a8. Consideration of a Contract Award for Cisco Smartnet Licenses and Support Services	5
Chris	a9. Consideration of a Contract Modification for CISO Advisory Services	-
Chris	a10. Consideration of a Contract Modification for Affordable Connectivity Program (ACP) Call Center Services	-
Chris	a11. Consideration to Exercise the First One-year Option Term for Web Application Support Services	-
Chris	a12. Consideration to Exercise the First One-year Option Term for Information Security Program Compliance Support Services	-
Mark	i9. Rural Health Care Connect Demonstration	30
Teleshia	i10. Information on One USAC Audit and Assurance Audit Division Universal Service Contributor Revenue Audit Report <i>(For Information Only)</i>	–
Chair	i11. Confidential Executive Session: Board of Directors Only	15

Next Scheduled USAC Board of Directors Meeting

<p>Tuesday, July 25, 2023 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 resolutions below:

- A. Approval of Board of Directors Meeting Minutes of January 23 and 31; and March 16, 2023 (*see Attachments A-1, A-2, and A-3*).

- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i5** – Enterprise Business Updates (*Continued*).
 - A. 2022 Complaints Report Synopsis. USAC management recommends that this item be discussed in *Executive Session* because it relates to *specific internal controls 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.
 - (2) **i6** – Information on Contribution Factor. USAC management recommends that this item be discussed in *Executive Session* because it relates to *specific internal controls or confidential company data* and may also include *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
 - (3) **i7** – Enterprise Risk Management Update. USAC management recommends that this item be discussed in *Executive Session* because it relates to *specific internal controls 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.
 - (4) **i8** – 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*.

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- (5) **a4** – Consideration of Approval of a Contract Award for Computer Matching Program Operations and Maintenance Services (*same as aHCLI04*). USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*
- (6) **a5** – Consideration of a Contract Award for EnterpriseDB Postgres Licenses and Support Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (7) **a6** – Consideration of Contract Award for Proofpoint Licenses and Support Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (8) **a7** – Consideration of Contract Award for AWS GovCloud Hosting Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (9) **a8** – Consideration of a Contract Award for Cisco Smartnet Licenses and Support Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (10) **a9** – Consideration of a Contract Modification for CISO Advisory Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (11) **a10** – Consideration of a Contract Modification for Affordable Connectivity Program (ACP) 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*.
- (12) **a11** – Consideration to Exercise the First One-year Option Term for Web Application Support Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (13) **a12** - Consideration to Exercise the First One-year Option Term for Information Security Program Compliance Support Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (14) **i9** – Rural Health Care Connect Demonstration. USAC management recommends that this item be discussed in *Executive Session* because it relates to *specific internal controls 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.

- (15) **i10** – Information on One USAC Audit and Assurance Audit Division Universal Service Contributor Revenue Audit Report. USAC management recommends that this item be discussed in *Executive Session* because it relates to *specific internal controls 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*.
- (16) **i11** – *Confidential Executive Session*: Board of Directors Only. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.

C. Consideration and Approval of Four Routine Procurements

- (1) Approval of the Consideration of a Contract Modification for CISO Advisory Services. The resolution is provided in **aBOD09cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (2) Approval of the Consideration of a Contract Modification for Affordable Connectivity Program (ACP) Call Center Services. The resolution is provided in **aBOD10cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (3) Approval of the Consideration to Exercise the First One-year Option Term for Web Application Support Services. The resolution is provided in **aBOD11cf**. If discussion is needed, it will be conducted in *Executive Session*.
- (4) Approval of the Consideration to Exercise the First One-year Option Term for Information Security Program Compliance Support Services. The resolution is provided in **aBOD12cf**. If discussion is needed, it will be conducted in *Executive Session*.

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 January 23 and 31; and March 16, 2023; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of four routine procurements as presented in items aBOD09cf – aBOD12cf.

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

BOARD OF DIRECTORS MEETING
Monday, January 23, 2023

(DRAFT) MINUTES¹

Previously, on November 28, 2022 the Board authorized USAC to award a contract to a new vendor, Navient B.P.O., LLC, for the Affordable Connectivity Program (ACP) call center services. On December 12, 2022, the Board authorized USAC to increase the total not-to-exceed amount of the contract with the current vendors, Conduent State & Local Solutions, Inc. and Ernst & Young LLP, to ensure a smooth transition to the new vendor. Due to higher call volumes than anticipated and to ensure a seamless vendor transition, USAC management requested modifications of the contract with the Conduent State & Local Solutions, Inc.

- a1. Consideration of a Contract Modification for Affordable Connectivity Program Call Center Services.** On January 20, 2023, briefing papers were distributed to the Board requesting members to vote electronically for this matter pursuant to Article II, Section 9 of USAC's By-laws.² Responses to approve a contract modification for ACP call center services were timely received by January 23, 2023, providing unanimous consent from all 19 Board members. The Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify the Affordable Connectivity Program (ACP) call center services contract with Conduent State & Local Solutions, Inc. (1) by increasing the total not-to-exceed amount of the contract by \$4,100,000.00 (plus applicable taxes) from \$33,140,000.00 to \$37,240,000.00 (plus applicable taxes), and (2) by extending the contract period of performance end date from February 15, 2023 to April 15, 2023, to account for expenses associated with continued call center support during the transition to a new vendor, subject to required Federal Communications Commission approval. Amounts associated with these services will be expensed using congressionally appropriated funds and not the Universal Service Fund.

¹ Draft resolutions were presented to the Board prior to the Board vote. 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.

² See USAC By-laws, Article II, § 9 ("Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.").

/s/ Erin Williams
Assistant Secretary

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

BOARD OF DIRECTORS MEETING
Tuesday, January 31, 2022

(DRAFT) MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, January 31, 2023. Mr. Joe Gillan, Board Chair, called the meeting to order at 10:02 a.m. Eastern Time, with a quorum of 17 of the 19 Board members present:

Buzacott, Alan	Sanquist, Christine
Chalk, Indra – <i>by telephone</i>	Schell, Julie Tritt – Treasurer
Feiss, Geoff	Sekar, Radha – Chief Executive Officer
Fontana, Brent – <i>by telephone</i>	Skrivan, Michael
Freeman, Sarah – <i>by telephone</i>	Wade, Dr. Joan
Gillan, Joe – Chair	Waller, Jeff – <i>by telephone</i>
Gregory, Amber	Wein, Olivia – Secretary
Jacobs, Ellis – <i>by telephone</i>	Wibberly, Dr. Kathy
Mason, Ken – Vice Chair	

Dr. Dan Domenech joined the meeting by telephone at 10:49 a.m. Eastern Time. He did not participate in the discussion or vote on items a1-a4 or participate in the discussion of items i1-i3.

Ms. Stephanie Polk joined the meeting by telephone at 11:03 a.m. Eastern Time. She did not participate in the discussion or vote on items a1-a4 or participate in the discussion of items i1-i4.

Officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Butler, Stephen – Vice President of Shared Services
Davis, Craig – Vice President of Schools and Libraries
Delmar, Teleshia – Vice President of Audit and Assurance
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Finance and Chief Financial Officer
O'Brien, Tim – Vice President of Lifeline
Hutchinson, Kyle – Vice President of IT 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.

Sweeney, Mark – Vice President of Rural Health Care

Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present:

<u>NAME</u>	<u>COMPANY</u>
Behnam, Cathy – <i>by telephone</i>	CSM
Bolling, Christopher – <i>by telephone</i>	USAC
Campos, Rosy – <i>by telephone</i>	CSM
Carlin, Tyler – <i>by telephone</i>	KPMG
Case, Kevin – <i>by telephone</i>	USAC
Claxton, Naomi – <i>by telephone</i>	USAC
Glisson, Connor – <i>by telephone</i>	USAC
Goode, Vernell	USAC
Hamm, Aaron	USAC
Havivi, Daniel – <i>by telephone</i>	USAC
Kriete, Debra – <i>by telephone</i>	South Dakota Department of Education
Little, Chris – <i>by telephone</i>	USAC
Parsons, Laura – <i>by telephone</i>	Maximus
Phillippi, Megan	USAC
Robinson, Crystal	USAC
Sadirkhanova, Sabina	USAC
Schultz, Kent – <i>by telephone</i>	Deloitte
Shrader, Theresa – <i>by telephone</i>	Broadband Legal Strategies, LLC
Tiwari, Tanya – <i>by telephone</i>	Morgan Lewis
Tyler, Gerrod	USAC
Wilson, Carl – <i>by telephone</i>	USAC

OPEN SESSION

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

- a1. Consent Items.** Mr. Gillan presented this item to the Board.
- A. Approval of Board meeting minutes of October 25; November 28; and December 15, and 30, 2022.
 - B. Approval of moving all *Executive Session* Items into *Executive Session*.
 - (1) **a5** – Approval of 2023 Annual USAC Common and Consolidated Budgets. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (2) **i5** – Update on ERP. USAC management recommended that this item be discussed in *Executive Session* because it relates to *specific internal*

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controls or confidential company data that would constitute a discussion of internal rules and procedures. In addition, this item might include discussion of *pre-decisional matters pending before the FCC* or discussion related to USAC's *procurement strategy and contract administration*.

- (3) **i6** – Information on Contribution Factor. USAC management recommended that this item be discussed in *Executive Session* because it relates to *specific internal controls 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*.
- (4) **a6** – Reaffirming USAC Employee Ethical Standards. USAC management recommended that discussion of this item be conducted in *Executive Session* because the discussion may include examples of how the Statement and Disclosure Form apply, and could include specific facts protected by the *attorney/client privilege*.
- (5) **i7** – Annual Competition Advocate Report. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (6) **i8** – Enterprise Risk Management Update. USAC management recommended that this item be discussed in *Executive Session* because it relates to *specific internal controls 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.
- (7) **i9** – Procurement Business Update. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (8) **a7** – Consideration of a Task Order Award for Contributor Revenue Audit Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (9) **a8** – Consideration of a Task Order Award for Penetration Testing. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.

- (10) **a9** – Consideration of a Contract Award for ServiceNow Licenses and Support. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (11) **a10** – Consideration of a Task Order Modification for Long-Term Affordable Connectivity Program Project Management Office Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (12) **a11** – Consideration of a Contract Modification and to add Option Terms for Affordable Connectivity Program Third Party Identification and Verification Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (13) **a12** – Consideration of a Contract Modification for IT Security Assessment Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (14) **i10** – Information on Two USAC Audit and Assurance Audit Division Universal Service Contributor Revenue Audit Reports. USAC management recommended that this item be discussed in *Executive Session* because it relates to *specific internal controls 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*.
- (15) **i11 – Personnel Matter:** Human Resources Business Update. USAC management recommended that discussion of this item occur in *Executive Session* because it involves *internal personnel matters*.
- (16) **a13 – Confidential Executive Session: Personnel Matter.** USAC management recommended that discussion of this item occur in *Executive Session* because it involves *internal personnel matters*.
- (17) **i12 – Confidential Executive Session:** Board of Directors Only. USAC management recommended that this item be discussed in *Executive Session* because it involves *internal personnel matters* and it relates to USAC’s *procurement strategy and contract administration*.

C. Review of the 2023 Audit Committee Charter.

- D. Approval of Adjusted April 2023 – January 2024 Board of Directors Quarterly Meeting Schedule and April 2024 – January 2025 Board of Directors Quarterly Meeting Schedule.
- E. Review of the Nominating Committee Charter.
- F. Consideration and Approval of Three Routine Procurements
- (1) Approval of the Consideration of a Task Order Modification for Long-Term Affordable Connectivity Program Project Management Office Services. The resolution is provided in **aBOD10cf**.
 - (2) Approval of the Consideration of a Contract Modification and to add Option Terms for Affordable Connectivity Program Third Party Identification and Verification Services. The resolution is provided in **aBOD11cf**.
 - (3) Approval of the Consideration of a Contract Modification for IT Security Assessment Services. The resolution is provided in **aBOD12cf**.
- G. Resolution Honoring a Board Member Whose Service on the Board Has Recently Ended. The Board would like to recognize and honor Beth Choroser, whose term has recently concluded. Ms. Choroser served as a Board member from January 2017 through December 2022. The USAC Board and USAC management are extremely appreciative of her dedication to universal service as well as her leadership, guidance, and expertise in USAC's administration of the federal Universal Service Fund.

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

RESOLVED, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of October 25, November 28, December 15, and December 30, 2022; (2) discussion in *Executive Session* of the items noted above; and (3) the approval of three routine procurements as presented in items aBOD10cf – aBOD12cf; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the revised 2023 Audit Committee Charter presented by the Audit Committee, hereby accepts the recommendation of the Audit Committee and approves the revised 2023 Audit Committee Charter; and

RESOLVED FURTHER, that the USAC Board of Directors adopts the Board of Directors and committee adjusted April 2023 – January 2024 Board meeting schedule and the and the April 2024 – January 2025 meeting schedule; and

RESOLVED FURTHER, that the USAC Board of Directors having reviewed the 2023 Nominating Committee Charter presented by the

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Nominating Committee, hereby accepts the recommendation of the Nominating Committee and approves the Nominating Committee Charter without revision; and

RESOLVED FURTHER, that the USAC Board of Directors hereby expresses its sincere appreciation to Beth Choroser for her dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes the best in her future endeavors.

- a2. **Annual Election of Committee At-Large Seats, Chairs and Vice Chairs and Election of Appointment of Corporate Officers.** Mr. Gillan introduced this item to the Board requesting that Dr. Wade, Chair of the Nominating Committee, report on the Nominating Committee's recommendations for the election of committee chairs, vice chairs, and at-large members, corporate officers, and the appointment of USAC staff members as Assistant Secretary and Assistant Treasurer.

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

Election of Board Members to Committee At-Large Seats

RESOLVED, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Schools & Libraries Committee: Ken Mason** (representing service providers), **Alan Buzacott** (at-large member), **Brent Fontana** (at-large member), and **Christine Sanquist** (at-large member); and

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

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Rural Health Care Committee: Geoff Feiss** (representing service providers), **Dr. Joan Wade** (at-large member), and **Michael Skrivan** (at-large member); and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Audit Committee: Joe Gillan** (representing the High Cost & Low Income Committee), **Brent Fontana** (representing the Rural Health Care Committee), **Julie Tritt Schell** (representing

the Schools & Libraries Committee), **Geoff Feiss** (at-large member), and **Stephanie Polk** at-large member); and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Executive Compensation Committee**: **Ken Mason** (at-large member), **Christine Sanquist** (at-large member), **Julie Tritt Schell** (at-large member), **Dr. Joan Wade** (at-large member) and **Dr. Kathy Wibberly** (at-large member).

Election of Committee Chairs and Vice Chairs

RESOLVED, that the USAC Board of Directors accepts the recommendation of the Schools & Libraries Committee and elects **Dr. Dan Domenech** as Chair and **Julie Tritt Schell** as Vice Chair of the **Schools & Libraries Committee**; and

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

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Rural Health Care Committee and elects **Dr. Kathy Wibberly** as Chair and **Brent Fontana** as Vice Chair of the **Rural Health Care Committee**; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Audit Committee and elects **Geoff Feiss** as Chair and **Stephanie Polk** as Vice Chair of the **Audit Committee**; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Board Chair and elects **Ken Mason** as Chair of the **Executive Compensation Committee**; and

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

Election of Board Chair, Vice Chair, Secretary and Treasurer

RESOLVED, that the USAC Board of Directors elects **Joe Gillan** as Chair of the Board and **Ken Mason** as Vice Chair of the Board, **Olivia**

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Wein as Secretary of the corporation, and **Julie Tritt Schell** as Treasurer of the corporation, each for a term that begins immediately upon adoption of this resolution and ends when such member's successor has been elected, when such member resigns such position, is removed by resolution of the Board, or is no longer a member of the Board.

- i1. Reports from the Committee Chairs: Audit Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.** Mr. Feiss presented the report for the Audit Committee. Mr. Mason presented the report for the High Cost & Low Income Committee and the Executive Compensation Committee. Dr. Wibberly presented the report for the Rural Health Care Committee. Ms. Schell presented the report for the Schools & Libraries Committee.
- a3. Approval of Connected Care Pilot Program 2nd Quarter 2023 Budget and Demand Projection for the January 31, 2023 Federal Communications Commission (FCC) Filing.** Ms. Garber presented this item for consideration. The presentation included a written report on USAC management's recommendations for the Connected Care Pilot Program 2nd quarter 2023 demand projection for the January 31, 2023 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 2nd Quarter 2023 Connected Care Pilot Program direct budget of \$0.00 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$0.00 million for Connected Care Pilot Program administrative costs in the required January 31, 2023 filing to the Federal Communications Commission on behalf of the Board; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed at its meeting on January 31, 2023 the 2nd Quarter 2023 Connected Care Pilot Program demand estimate of \$8.43 million, hereby directs USAC staff to proceed with the required January 31, 2023 filing to the Federal Communications Commission on behalf of the USAC Board of Directors.

- i2. Connected Care Pilot Program Update.** Mr. Gillan noted that the report was provided for *information only* and would be posted on USAC's public website. No discussion was held.
- a5. Approval of USAC Common and Consolidated 2nd Quarter 2023 Budgets for the January 31, 2023 FCC Filing.** Ms. Garber presented this item for consideration. The presentation included a written report on USAC management's recommendations for USAC's common and consolidated 2nd

Quarter 2023 budgets for the January 31, 2023 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 2nd Quarter 2023 common budget of \$33.90 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$33.90 million for common costs in the required January 31, 2023 filing to the Federal Communications Commission on behalf of the USAC Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2nd Quarter 2023 consolidated budget to administer the Universal Service Fund of \$71.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$71.91 million for consolidated costs in the required January 31, 2023 filing to the Federal Communications Commission on behalf of the USAC Board of Directors.

i3. Enterprise Business Updates:

A. CEO Update. Ms. Sekar provided a verbal update on USAC's 2022 accomplishments.

B. Appropriated Programs. Ms. Sekar provided a verbal update on the Emergency Connectivity Fund and the Affordable Connectivity Program.

i4. 2022 Annual Report Timeline. Mr. Bulter presented PowerPoint slides providing updates on key milestones for the release of the 2022 Annual Report.

At 10:53 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing confidential items. Only members of the Board and USAC staff were present.

EXECUTIVE SESSION

a5. Approval of 2023 Annual USAC Common and Consolidated Budgets. Ms. Garber presented this item for consideration. The presentation included a written report on USAC management's recommendations for the 2023 annual USAC common and consolidated budgets.

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

RESOLVED, that the USAC Board of Directors approves the 2023 annual common budget of \$133.42 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2023 annual consolidated budget of \$275.73 million.

- i5. **Update on ERP.** Ms. Sekar presented a verbal update on the Enterprise Resource Planning System.
- i6. **Information on Contribution Factor.** Ms. Garber presented this item to the Board. The presentation included a written report providing USAC's estimate of the 2nd Quarter 2023 contribution factor.
- a6. **Reaffirming USAC Employee Ethical Standards.** Ms. Williams presented this item to the Board. The presentation included a report detailing USAC management's request that the Board review and reaffirm the USAC Statement of Ethical Conduct without revision.

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC General Counsel and hereby reaffirms the February 2021 version of the *USAC Statement of Ethical Conduct*.

- i7. **Annual Competition Advocate Report.** Ms. Williams and Mr. Beyerhelm presented PowerPoint slides describing USAC's non-competitive procurement activity for calendar year 2022 for all procurements above the micro-purchase threshold of \$10,000.
- i8. **Enterprise Risk Management Update.** Mr. Gillan noted that the report was provided for *information only*. No discussion was held. The report included the following items:
 - Q4 2022 Enterprise Risk Management Update
 - Q4 2022 Risk Management Council Minutes
- i9. **Procurement Business Update.** Mr. Gillan noted that the report was provided for *information only*. No discussion was held. The report included an overview of major procurements completed in Q4 2022 and Q1 2023 anticipated activities.
- a7. **Consideration of a Task Order Award for Contributor Revenue Audit Services.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's

recommendation to award a time and material task order for contributor revenue audit 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 USAC management to award a time and material task order under the USAC Professional Services Indefinite Delivery/Indefinite Quantity contract (Contract No. USAC 20-015) to Moss Adams LLP for contributor revenue audit services to perform full scope performance audits of select contributors to the Universal Service Fund. The task order has a twelve (12) month period of performance for a total not-to-exceed amount of \$939,775.00 (plus applicable taxes).

- a8. Consideration of a Task Order Award for Penetration Testing.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a task order for penetration testing support.

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 to award a task order under the USAC Professional Services Indefinite Delivery/Indefinite Quantity contract (Contract No. USAC-20-015) to Ampcus Inc. for penetration testing to support a greater understanding of USAC's security readiness, and to test existing systems consistent with the Federal Information Security Modernization Act and the National Institute of Standards and Technology. The task order has a base period of twelve (12) months for a total not-to-exceed amount of \$328,656.00 (plus applicable taxes).

- a9. Consideration of a Contract Award for ServiceNow Licenses and Support.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a firm-fixed price contract for ServiceNow licenses and support.

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 to award a firm-fixed price contract for ServiceNow licenses and support to SHI International Corp. for a three (3) year period of performance for a not-to-exceed amount of \$1,270,817.34 (plus applicable taxes).

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- a10. Consideration of a Task Order Modification for Long-Term Affordable Connectivity Program Project Management Office Services.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify its task order with Deloitte LLP for long-term project management office services to support the Affordable Connectivity Program (ACP) by increasing the total not-to-exceed amount of the contract by \$2,339,937.00 (plus applicable taxes) from \$16,240,258.00 (plus applicable taxes) to \$18,580,195.00 (plus applicable taxes), subject to required Federal Communications Commission approval. Amounts associated with these services will be expensed using congressionally appropriated funds and not the Universal Service Fund.

- a11. Consideration of a Contract Modification for Affordable Connectivity Program Third Party Identification and Verification Services.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED , that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify its Third Party Identification and Verification (TPIV) services contract with Transunion Public Sector to support the Affordable Connectivity Program (ACP) (1) by increasing the not-to-exceed amount for the first one-year option period of the contract by \$175,000.00 (plus applicable taxes), from \$775,000.00 (plus applicable taxes) to \$950,000.00 (plus applicable taxes), and (2) by adding three additional one-year option terms to the contract for a combined not-to-exceed amount of \$4,096,000.00 (plus applicable taxes). The contract's new total not-to-exceed amount will be \$5,486,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval. Amounts associated with these services will be expensed using congressionally appropriated funds and not the Universal Service Fund.

- a12. Consideration of a Contract Modification for IT Security Assessment Services.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify its IT security assessment services contract with Coalfire Federal by increasing the total not-to-exceed amount of the contract by \$389,905.90 (plus applicable taxes) from \$3,320,714.30 (plus applicable taxes) to

\$3,710,620.20 (plus applicable taxes), subject to required Federal Communications Commission approval.

- i10. Information on One USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Report.** This item was provided for *information purposes only*. Mr. Gillan noted that the summary and reports can be found in the Board Audit Briefing Book. No discussion was held.
- i11. Personnel Matter: Human Resource Business Update.** Ms. Sadirkhanova presented PowerPoint slides to the Board highlighting key accomplishments, 2022 HR metrics, and key next steps for HR activities.

The Board recessed at 12:14 p.m. Eastern Time and reconvened in *Executive Session* at 12:25 p.m. Eastern Time with only members of the Board and Chief Human Resources Officer, Sabina Sabina Sadirkhanova, present.

- a13. Confidential Executive Session: Personnel Matter.** Mr. Gillan presented this time 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 proposed 2023 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, 2023.

At 12:30 p.m. Eastern Time, the Board continued in confidential *Executive Session* with only members of the Board present.

- i5. Confidential Executive Session: Board of Directors Only.** Mr. Gillan facilitated this discussion.

OPEN SESSION

At 12:45 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. Gillan reported that, in *Executive Session*, the Board took action on items a5-a9 and a13 and discussed items i5-i7 and i11-i12.

On a motion duly made and seconded, the Board adjourned at 12:45 p.m. Eastern Time.

/s/ Erin Williams
Assistant Secretary

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

**BOARD OF DIRECTORS MEETING
Thursday, March 16, 2023**

(DRAFT) MINUTES¹

The non-quarterly meeting of the USAC Board of Directors (Board) was conducted by web conference on Thursday, March 16, 2023. Mr. Joe Gillan, Board Chair, called the meeting to order at 3:31 p.m. Eastern Time, with a quorum of 17 of the 19 Board members present:

Buzacott, Alan	Polk, Stephanie
Chalk, Indra	Sanquist, Christine
Domenech, Dr. Dan	Schell, Julie Tritt – Treasurer
Fontana, Brent	Sekar, Radha – Chief Executive Officer
Feiss, Geoff	Skrivan, Michael
Freeman, Sarah	Wade, Dr. Joan
Gillan, Joe – Chair	Waller, Jeff
Gregory, Amber	Wein, Olivia – Secretary
Mason, Ken – Vice Chair	

Member of the Board not present:

Jacobs, Ellis	Wibberly, Dr. Kathy
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Officers of the corporation present:

Beyerhelm, Chris – Vice President and Chief Administrative Officer
Garber, Michelle – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Hutchinson, Kyle – Vice President of IT and Chief Information Officer
O’Brien, Tim – Vice President of Lifeline
Williams, Erin – Vice President, General Counsel, and Assistant Secretary

Others present by telephone:

<u>NAME</u>	<u>COMPANY</u>
Hamm, Aaron	USAC
Phillippi, Megan	USAC

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

Wilson, Carl

COMPANY

USAC

OPEN SESSION

- a1. Consent Items.** Mr. Gillan presented this item to the Board.
- A.** Approval of moving all *Executive Session* items into *Executive Session*:
- (1) **a2** – Consideration of Contract Award for Lifeline and Affordable Connectivity Program Business Process Outsourcing (BPO) Services. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (2) **a3** – Consideration of Contract Award for Dell/EMC Unity Hardware Support. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (3) **a4** – Consideration of a Contract Modification for Amazon Web Services and GovCloud Hosting. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
 - (4) **a5** – Consideration of Contract Modification for Microsoft Enterprise Agreement. USAC management recommended that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- B.** Consideration and Approval of Two Routine Procurements
- (1) Approval of the Consideration of a Contract Modification for Amazon Web Services and GovCloud Hosting. The resolution is provided in **aBOD04cf**.
 - (2) Approval of the Consideration of Contract Modification for Microsoft Enterprise Agreement. The resolution is provided in **aBOD05cf**.

On a motion duly made and seconded, with Mr. Fontana abstaining, the Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors hereby approves: (1) discussion in Executive Session of the items noted above; and (2) the two routine procurements as presented in items aBOD04cf – aBOD05cf.

At 3:32 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing confidential items.

EXECUTIVE SESSION

- a2. Consideration of Contract Award for Lifeline and Affordable Connectivity Program Business Process Outsourcing (BPO) Services.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a contract for Affordable Connectivity Program BPO 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, authorizes USAC management, subject to required Federal Communications Commission approval, to award a contract to Maximus Federal Services, Inc. for Affordable Connectivity Program BPO Services. The contract will have a hybrid fee structure of firm-fixed price and fixed-unit price for a total not-to-exceed amount of \$9,904,002.45 (plus applicable taxes) over a base period of twelve (12) months, with the ability to exercise four (4) additional one-year option terms, subject to required FCC and Board approvals. This amount will be expensed using congressionally appropriated funds and not the Universal Service Fund.

- a3. Consideration of Contract Award for Dell/EMC Unity Hardware Support.** Mr. Beyerhelm presented this item for consideration. The presentation included a written summary and report detailing USAC management's recommendation to award a firm-fixed price contract for Dell/EMC Unity hardware support to facilitate continued housing of all USAC servers, databases, applications, and departmental network drives

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 to award a firm-fixed price contract for Dell/EMC Unity hardware support to facilitate continued housing of all USAC servers, databases, applications, and departmental network drives to TommyTQL LLC for a one-year period of performance for a not-to-exceed amount of \$549,235.78 (plus applicable taxes).

- a4. Consideration of a Contract Modification for Amazon Web Services and GovCloud Hosting.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes

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management to modify its Amazon Web Services and GovCloud hosting contract with Amazon Web Services to support USAC's various Universal Service Fund programs, including the Lifeline National Eligibility Verifier, High Cost Broadband Portal, National Lifeline Accountability Database, Centralized Geocoding, and other IT projects, by increasing the not-to-exceed amount by \$600,000.00 (plus applicable taxes), from \$600,000.00 (plus applicable taxes) to \$1,200,000.00 (plus applicable taxes), over the remainder of the twelve (12) month period of performance, subject to required Federal Communications Commission approval. This modification is necessary due to USAC's increased Amazon Web Services usage for both existing and new projects and initiatives.

- a5. Consideration of Contract Modification for Microsoft Enterprise Agreement.** No additional discussion was held on this item. The Board adopted the following resolution as part of the Consent Items:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to modify its three-year Microsoft Enterprise Agreement with Microsoft for software licensing that supports all of USAC's business units and USAC's call center customer relationship management (CRM) system, by increasing the contract not-to-exceed amount by \$2,146,059.60 (plus applicable taxes), from a total not-to-exceed amount of \$2,853,940.40 (plus applicable taxes) to \$5,000,000.00 (plus applicable taxes), subject to required Federal Communications Commission approval. This modification is necessary due to USAC's annual true-up requirement under the agreement and significant growth in USAC's business units.

OPEN SESSION

At 3:39 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. Gillan reported that, in *Executive Session*, the Board took action on items a2 and a3.

On a motion duly made and seconded, the Board adjourned at 3:41 p.m. Eastern Time.

/s/ Erin Williams
Assistant Secretary

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

ACTION ITEM

**Approval of Connected Care Pilot Program
3rd Quarter 2023 Budget and
Demand Projection for the May 2, 2023 FCC Filing**

Action Requested

The USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2023 (3Q2023) Connected Care Pilot Program budget and demand projection for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2023 quarterly filing.

Discussion

On a quarterly basis, USAC is required to submit to the FCC the projected budget¹ and demand² for the upcoming quarter.

Funding Requirement

USAC estimates the 3Q2023 funding requirement for the Connected Care Pilot Program as follows:

¹ See 47 C.F.R. § 54.715(c).

² See 47 C.F.R. § 54.709(a)(3).

Table A. Connected Care Pilot Program Funding Requirement

<i>(in millions)</i>	2Q2023	Increase/ (Decrease)	3Q2023	Notes
Steady State:				
Connected Care Pilot Program	\$8.33	\$0.00	\$8.33	See Note 1
New Requirements:				
N/A	0.00	0.00	0.00	
Total Connected Care Demand	\$8.33	\$0.00	\$8.33	
Prior Period Adjustments (difference between projections and actuals):				
Billings	0.11	(0.06)	0.05	
Bad Debt Expense	(0.08)	0.00	(0.08)	
Annual Admin True-Up	0.00	0.00	0.00	
Total Prior Period Adjustments	\$0.03	(\$0.06)	(\$0.03)	
USAC Administrative Expenses	\$0.07	\$0.01	\$0.08	See Table B
Total Funding Requirement	\$8.43	(\$0.05)	\$8.38	

Note 1: On April 2, 2020, the FCC issued Order FCC 20-44, establishing the Connected Care Pilot Program within the Universal Service Fund (Fund) making an \$100 million available over three years to help defray health care providers' qualifying costs of providing connected care services, with a primary focus on providing these services to low-income or veteran patients.³ The Order authorized collections of \$100 million over three years (12 quarters) at \$8.33 million per quarter beginning in 4Q2020.⁴ The Order states that the purpose of the Pilot Program is to examine how the Fund can help support the trend towards connected care services, particularly for low income consumers and veterans.⁵ The Order indicates that \$100 million funding for the Pilot Program will be separate from the budgets of the other existing universal service programs, and directs USAC to separately collect funds for the Pilot Program.⁶

³ See *Promoting Telehealth for Low-Income Consumers; COVID-19 Telehealth Program*, WC Docket Nos. 18-213 and 20-89, Report and Order, 35 FCC Rcd 3366, 3384, paras. 37-38 (2020).

⁴ See *id.* at 3387-88, para. 42.

⁵ See *id.* at 3368-69, para. 5.

⁶ See *id.* at 3384, 3387, paras. 38, 42.

Based on the projected burn rate, USAC estimates the following 3Q2023 budget:

Table B. Quarterly Budget

<i>(in millions)</i>	2Q2023 Budget	Increase/ (Decrease)	3Q2023 Budget	Notes
Direct Program Costs				
Employee Expenses	\$0.00	\$0.00	\$0.00	
Professional Services	0.00	0.00	0.00	
General & Administrative	0.00	0.00	0.00	
Total Direct Program Costs	\$0.00	\$0.00	\$0.00	
Direct Assigned Costs				
Employee Expenses	\$0.00	\$0.00	\$0.00	
Professional Services	0.00	0.00	0.00	
General & Administrative	0.00	0.00	0.00	
Total Direct Assigned Costs	\$0.00	\$0.00	\$0.00	
Total Direct Program & Direct Assigned Costs	\$0.00	\$0.00	\$0.00	
Common Allocated Costs	\$0.07	\$0.01	\$0.08	
Total Programmatic Budget	\$0.07	\$0.01	\$0.08	

A comparison of actual expenditures to the budget for the three months ending March 31, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Board approve the 3Q2023 budget and projection of demand as proposed.

Recommended USAC Board Actions

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors approves a 3rd Quarter 2023 Connected Care Pilot Program direct budget of \$0.00 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$0.00 million for Connected Care Pilot Program administrative costs in the required May 2, 2023 filing to the Federal Communications Commission on behalf of the Board; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed at its meeting on April 21, 2023 the 3rd Quarter 2023 Connected Care Pilot Program demand estimate of \$8.38 million, hereby directs USAC staff to proceed with the required May 2, 2023 filing to the Federal Communications Commission on behalf of the USAC Board of Directors.

ATTACHMENT 1

Connected Care Pilot Program Administrative Costs and Headcount
Comparison of Actual Expenditures and Headcount to the Budget for the
Three Months Ending March 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program Costs						
Employee Expenses	0	0	0	\$0.00	\$0.00	\$0.00
Professional Services				0.00	0.00	0.00
General & Administrative				0.00	0.00	0.00
Total Direct Program Costs				\$0.00	\$0.00	\$0.00
Direct Assigned Costs						
Employee Expenses	0	0	0	\$0.00	\$0.00	\$0.00
Professional Services				0.00	0.00	0.00
General & Administrative				0.00	0.00	0.00
Total Direct Assigned Costs				\$0.00	\$0.00	\$0.00
Total Direct Program & Direct Assigned Costs	0	0	0	\$0.00	\$0.00	\$0.00
Common Allocated Costs (Note 2)				\$0.08	\$0.07	(\$0.01)
Total Programmatic Budget				\$0.08	\$0.07	(\$0.01)

Note 2: Common costs include costs not directly attributable to a program or the Connected Care Pilot Program and are allocated based on the Cost Allocation Methodology, which allocates costs based 50% on direct costs in the prior year and 50% on demand in the prior year. Actual common allocated costs reflect a reduction for costs allocated to the appropriated programs.



Board of Directors

Connected Care Pilot Program

Open Session

April 21, 2023



Universal Service
Administrative Co.

Connected Care Pilot Program Updates

- USAC continues to act upon the Second Report and Order (June 2021).
 - All program participants were required to submit at least one FCC Form 462 by September 16, 2022.
 - FCC granted waivers where appropriate to applicants who are now compliant with their filings.
 - Only two projects (Adult MH & SA Outpatient Services and Council of Athabaskan Tribal Governments – Yukon Flats Health Center) have a waiver deadline of September, 18, 2023.

Connected Care Pilot Program Updates (Continued)

- Received 822 FCC Forms 462 to date.
- Issued \$28.72 million in funding commitments so far.
- Received 67 FCC Forms 463 for disbursement and disbursed 40 invoices worth \$7.82 million.
- Planned system enhancement in 3Q2023 to allow annual and final report data extraction and review in a Microsoft Office environment.

Examples of Eligible Expense Types – CCPP vs HCF

Expense Type	Connected Care Pilot Program	Healthcare Connect Fund
HCP Broadband Connection Services	Yes	Yes
Patient Broadband Connection Services	Yes	No
Connections Between HCP Sites	No	Yes
Video Services - telehealth solutions/packages/platforms, suites of services	Yes	No
Equipment that terminates a service provider’s transmission facility and/or routers, switches, firewalls that make functional a supported service.	Yes	Yes
Network equipment that helps manage, control, or operate a supported broadband service (consortia applicants only)	Yes	Yes
Routers at patient’s home	Yes	No
Installation/activation charges for eligible equipment and services	Yes	Yes

Note: This eligible services chart is illustrative and is not intended to be exhaustive.



**Universal Service
Administrative Co.**

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

ACTION ITEM

**Approval of USAC Common and Consolidated
3rd Quarter 2023 Budgets and Demand Projection
for the May 2, 2023 FCC Filing**

Action Requested

The USAC Board of Directors (Board) is requested to approve the 3rd Quarter 2023 (3Q2023) common and consolidated budgets for submission to the Federal Communications Commission (FCC) in USAC's May 2, 2023 quarterly filing.

Discussion

Based on the projected burn rate, USAC estimates a 3Q2023 USAC consolidated budget of \$68.04 million to administer the Universal Service Fund (USF), which includes \$35.13 million in direct program costs and \$32.91 million in common indirect costs. This does not include projected spending related to the appropriated programs.

<i>(in millions)</i>	2Q2023 Budget	Increase/ (Decrease)	3Q2023 Budget
Direct Program & Direct Assigned Costs			
High Cost	\$6.40	\$0.04	\$6.44
Lifeline	14.32	0.28	14.60
Rural Health Care	4.49	(0.01)	4.48
Schools & Libraries	12.80	(3.19)	9.61
Connected Care Pilot	0.00	0.00	0.00
Total Direct Program & Direct Assigned Costs	\$38.01	(\$2.88)	\$35.13
Common Costs			
Employee Expenses	\$15.76	(\$0.06)	\$15.70
Professional Services	9.13	(0.26)	8.87
General & Administrative (Note 1)	9.01	(0.67)	8.34
Total Common Costs	\$33.90	(\$0.99)	\$32.91
Total Consolidated Costs	\$71.91	(\$3.87)	\$68.04

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 three months ending March 31, 2023 is provided in **Attachment 1**.

Recommendation

USAC management recommends that the Board approve the 3Q2023 budgets as proposed.

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors approves a 3rd Quarter 2023 common budget of \$32.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$32.91 million for common costs in the required May 2, 2023 filing to the Federal Communications Commission on behalf of the USAC Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2023 consolidated budget to administer the Universal Service Fund of \$68.04 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$68.04 million for consolidated costs in the required May 2, 2023 filing to the Federal Communications Commission 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
Three Months Ending March 31, 2023

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program & Direct Assigned Costs						
High Cost	64	66	2	\$6.02	\$6.42	\$0.40
Lifeline	94	107	13	11.64	14.08	2.44
Rural Health Care	57	60	3	4.07	4.48	0.41
Schools & Libraries	79	80	1	8.29	8.90	0.61
Connected Care Pilot	0	0	0	0.00	0.00	0.00
Total Direct Program & Direct Assigned Costs	294	313	19	\$30.02	\$33.88	\$3.86
Common Costs (Note 2)						
Employee Expenses	362	401	39	\$14.69	\$15.73	\$1.04
Professional Services				7.18	9.24	2.06
General & Administrative (Note 3)				7.15	8.50	1.35
Total Common Costs	362	401	39	\$29.02	\$33.47	\$4.45
Total Consolidated Costs	656	714	58	\$59.04	\$67.35	\$8.31

Note 2: Actual USF common costs reflect a reduction for costs allocated to the appropriated programs.

Note 3: General & Administrative expenses include computer support & maintenance, rent, 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**

INFORMATION ITEM

**Information on Three USAC Audit and Assurance Division
Supply Chain Audit Report**

Information Presented

This information item provides the USAC Board of Directors (Board) with a summary of the results for three Supply Chain Audit Reports listed in **Exhibit I** to this briefing paper.

Discussion

USAC staff completed three supply chain audits. The purpose of the audit was to determine whether the beneficiary complied with Federal Communications Commission (FCC) rules and program requirements. **Exhibit I** to this briefing paper highlights the results of the audit. The audit reports are included as **Attachments A, B, and C**.

Summary of the Supply Chain Audit Reports Released: March 2023.

Entity Name	Number of Findings	Significant Findings	Amount of Support	Monetary Effect	USAC Management Recovery Action	Entity Disagreement
Massillon Cable TV Attachment A	0	<ul style="list-style-type: none"> Not applicable 	\$111,051	\$0	\$0	N/A
Clarence Telephone Company Attachment B	0	<ul style="list-style-type: none"> Not applicable 	\$338,832	\$0	\$0	N/A
East Offer Tail Telephone Company Attachment C	0	<ul style="list-style-type: none"> Not applicable 	\$12,760,436	\$0	\$0	N/A
Total	0		\$13,210,319	\$0	\$0	

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Attachment A

SC2022BE008

*Massillon Cable TV, Inc.
Audit ID: SC2022BE008*

*Performance audit for the Universal Service Fund
Supply Chain Audit Program related to E-Rate
disbursements made from July 1, 2020 to June 30,
2021*

Prepared for: Universal Service Administrative Company

As of Date: March 28, 2023

KPMG LLP
1021 E Cary St
Suite 2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

March 28, 2023

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the Supply Chain performance audit objective relative to Massillon Cable TV, Inc. (“MCTV” or “Universal Service Fund (“USF”) Recipient”), Service Provider Identification Number (“SPIN”) 143005322, for disbursements of \$111,051 made from the Universal Service Fund’s E-Rate Program from July 1, 2020 to June 30, 2021. Our work was performed from June 14, 2022 to March 28, 2023 and our results are as of March 28, 2023.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (“AICPA”). This performance audit did not constitute an audit of financial statements, or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9 (collectively, the “FCC Rules”) relative to disbursements of \$111,051 made from the E-Rate Program from July 1, 2020 to June 30, 2021.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, KPMG did not identify any audit findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.



This report is intended solely for the use of the Universal Service Administrative Company, the USF Recipient, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC and the FCC.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Craig Davis, USAC Vice President, E- Rate Division

List of Acronyms

Acronym	Definition
BEAR	Billed Entity Applicant Reimbursement form submitted for E-Rate reimbursement
C.F.R.	Code of Federal Regulations
Covered Companies	Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries were designated as a threat to national security by the FCC on June 30, 2020.
FCC	Federal Communications Commission
FCC Form 473	Service Provider Annual Certification Form
FRN	Funding Request Number
G/L	General Ledger
MCTV	Massillon Cable TV, Inc.
TB	Trial Balance
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

KPMG's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC's direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund ("USF"), which includes four support mechanisms: High Cost, Lifeline, Rural Health Care, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, prohibiting the use of USF support to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company found to pose a national security threat to the integrity of communications networks or the communications supply chain¹. On June 30, 2020, the FCC's Public Safety and Homeland Security Bureau issued final designations of Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries, as companies that pose such threats ("Covered Companies")², and thus, the prohibition against the use of USF support applies to equipment and services produced or provided by these Covered Companies as of June 30, 2020.

USAC engaged KPMG to conduct a performance audit relating to the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$111,051 made from the E-Rate Program from July 1, 2020 to June 30, 2021.

USF Recipient Overview

Massillon Cable TV, Inc. (SPIN: 143005322), the subject of this performance audit, is located in Massillon, Ohio. MCTV provides high-speed internet, digital TV, and phone services to homes and businesses in Stark, Wayne, Summit, Holmes, Carroll, Monroe, Jefferson, Columbiana, Tuscarawas, Belmont, Harrison, and Brooke counties for the state of Ohio.

In the table below, we show the E-Rate support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2020 to June 30, 2021, by E-Rate service type:

E-Rate Service Category	E-Rate Service Type	Disbursement Amount
Category One	Data Transmission and/or Internet Access	\$111,051
	TOTAL	\$111,051

Source: USAC

E-Rate Category One includes the services needed to support broadband connectivity to schools and libraries. Data transmission and/or Internet access services are eligible in Category One³.

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Public Safety and Homeland Security Bureau Issues Final Designations of Huawei Technologies Company and ZTE Corporation as Companies Posing a National Security Threat to the Integrity of Communications Networks and the Communications Supply Chain*. Pursuant to 47 CFR § 54.9. PS Docket Nos. 19-351, 19-352, Public Notice, 35 FCC Rcd 6602 (8).

³ *Funding Year 2020 Eligible Services List*, WC Docket No. 13-184, 34 FCC Rcd 11959 (15).

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$111,051 made from the E-Rate Program from July 1, 2020 to June 30, 2021.

SCOPE

The scope of this performance audit included, but was not limited to, review of the network asset listing and General Ledger details; review of internal network diagrams and internal scan or monitoring tool outputs, if available; review of vendor policies, approved vendors, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered Companies. The scope of our work related to disbursements made from the E-Rate Program from July 1, 2020 to June 30, 2021.

Our performance audit includes, but is not limited to, the following focus areas:

1. Annual Supply Chain Certification
2. Asset Records
3. Network Architecture
4. Vendor Transactions

PROCEDURES

1. Annual Supply Chain Certification

KPMG obtained the FCC Form 473 related to the E-rate disbursement period under review, and verified that the USF Recipient certified that “no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by the Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

2. Asset Records

KPMG selected a sample of eight out of 11 Funding Request Numbers for testing. These FRNs represent 91% of the disbursed dollars for our audit period and also represent each type of service that was funded. KPMG observed that MCTV only provided Category One – Data Transmission and/or Internet Access service for the audit period.

For the eight selected FRNs with Category One services, KPMG obtained the underlying MCTV bills that support the BEAR forms that were submitted to USAC for reimbursement. KPMG selected a sample of eight bills (one from each FRN) and reviewed the detail to determine if any equipment was included as part of the Category One services. KPMG also inquired of MCTV to understand if any equipment was provisioned to the E-Rate Beneficiaries as part of this service. KPMG noted no equipment was provisioned to the Beneficiaries as part of the Category One service, and MCTV confirmed any equipment used to provide the service was included in the network documentation provided. KPMG therefore reviewed the MCTV network, which was used to provide the Category One service, as described in the Network Architecture section below.

3. Network Architecture

KPMG reviewed the network asset listing and diagrams to verify there were no identifiers that could be traced to the Covered Companies. We conducted a physical inspection of the MCTV network and observed the network equipment including 11 switches related to the locations that received E-Rate services. We validated the physical existence of the equipment and confirmed the manufacturer and model from the asset listing matched the equipment in service. We reviewed the network asset listing and physical MCTV network assets to verify that key indicators such as asset manufacturer, vendor and model could not be traced to Covered Companies.

4. Vendor Transactions

KPMG obtained a list of approved Vendors and Vendor transaction G/L details. KPMG researched the Vendors to verify that none were linked to the Covered Companies. To further verify that no other Vendors were used to provide services to the network, KPMG selected a non-statistical sample of 15 transactions from G/L accounts 1231 – Electronic Equipment, 1232 – Electronics Headend, 1233 – In-house Electronics, 1430 – Computers (MCTV), 1492 – Cable Modems/Customer Premise Equipment, and 2400 – Computers (Massillon Cable Communications). We obtained and reviewed underlying invoices to verify the transactions sampled did not include equipment or services produced or provided by Covered Companies. KPMG also performed a keyword search in the G/L accounts noted above to obtain reasonable assurance that no link to the Covered Companies could be identified.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

KPMG's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

KPMG's evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relevant to the disbursements made from the E-Rate Program during the twelve-month period ended June 30, 2021, identified no audit findings.

** This concludes the audit report.**

Attachment B

SC2022BE004

Available For Public Use

Clarence Telephone Company
Audit ID: SC2022BE004
(SAC: 351130)

Performance audit for the Universal Service Fund
Supply Chain Audit Program related to High Cost
Disbursements made from July 1, 2020 to
December 31, 2020

Prepared for: Universal Service Administrative Company

As of Date: March 29, 2023

KPMG LLP
1021 E Cary St
Suite 2000
Richmond, VA 23219

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

EXECUTIVE SUMMARY

March 29, 2023

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the Supply Chain performance audit objective relative to Clarence Telephone Company (“Clarence Tel” or “Universal Service Fund (“USF”) Recipient”), Study Area Code (“SAC”) 351130 and Service Provider Identification Number (“SPIN”) 143001933, for disbursements of \$338,832 made from the Universal Service Fund’s High Cost Program from July 1, 2020 to December 31, 2020. Our work was performed from June 30, 2022 to March 29, 2023 and our results are as of March 29, 2023.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (“AICPA”). This performance audit did not constitute an audit of financial statements, or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9 (collectively, the “FCC Rules”) relative to disbursements of \$338,832 made from the High Cost Program from July 1, 2020 to December 31, 2020.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, KPMG did not identify any audit findings as a result of the work performed.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.



This report is intended solely for the use of the Universal Service Administrative Company, the USF Recipient, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC and the FCC.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division

List of Acronyms

Acronym	Definition
ACAM_II	Alternative Connect America Cost Model II
CAFII AUC	Connect America Fund Phase II Auction
CAF BLS	Connect America Fund Broadband Loop Support
CAF ICC	Connect America Fund Inter-carrier Compensation
C.F.R.	Code of Federal Regulations
Clarence Tel.	Clarence Telephone Company
COE	Central Office Equipment
Covered Companies	Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries were designated as a threat to national security by the FCC on June 30, 2020.
CPR	Continuing Property Records
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
G/L	General Ledger
HCL	High Cost Loop
TB	Trial Balance
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

KPMG's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC's direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund which includes four support mechanisms: High Cost, Lifeline, Rural Health Care, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, prohibiting the use of USF support to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company found to pose a national security threat to the integrity of communications networks or the communications supply chain¹. On June 30, 2020, the FCC's Public Safety and Homeland Security Bureau issued final designations of Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries, as companies that pose such threats ("Covered Companies")², and thus, the prohibition against the use of USF support applies to equipment and services produced or provided by these Covered Companies as of June 30, 2020.

USAC engaged KPMG to conduct a performance audit relating to the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$338,832 made from the High Cost Program from July 1, 2020 to December 31, 2020.

USF Recipient Overview

Clarence Telephone Company (SAC: 351130 and SPIN: 143001933), the subject of this performance audit, is located in Clarence, Iowa. Clarence Tel. provides telephone, internet and cable television services to the Clarence and Stanwood areas in Cedar County, Iowa.

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the six-month period, July 1, 2020 to December 31, 2020, by High Cost fund type:

High Cost Fund Type	Amount
ACAM II	\$309,530 ³
CAF BLS	\$16,420 ⁴
HCL	\$(6) ⁴
CAF ICC	\$12,888
TOTAL	\$338,832

Source: USAC

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Public Safety and Homeland Security Bureau Issues Final Designations of Huawei Technologies Company and ZTE Corporation as Companies Posing a National Security Threat to the Integrity of Communications Networks and the Communications Supply Chain*. Pursuant to 47 CFR § 54.9. PS Docket Nos. 19-351, 19-352, Public Notice, 35 FCC Rcd 6602 (8).

³ Based on the procedures performed, KPMG verified that the ACAM II disbursements were not used to "purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by" Covered Companies as of December 31, 2020. Because ACAM II has a future deployment obligation, Clarence Telephone Company may still expend any remaining ACAM II disbursements in periods subsequent to our performance audit period.

⁴ These amounts represent prior year funding true-ups that resulted from the conversion from legacy funds to modernized funds.

The USF Recipient received High Cost support during the six-month period from July 1, 2020 to December 31, 2020, based on legacy funds, driven by historical data, and modernized funds, driven by deployment obligations.

HCL, CAF ICC, and CAF BLS funds, disbursed in 2020, were based on forms submitted in 2019 that encompass 2018 data (line count data and totals of specific pre-designated General Ledger Accounts including all asset accounts that roll into the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities). ACAM II and CAF BLS funds, disbursed in 2020, were based on the FCC support authorization public notice and subject to deployment obligations.

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$338,832 made from the High Cost Program during the six-month period from July 1, 2020 to December 31, 2020.

SCOPE

The scope of this performance audit included, but was not limited to, review of the Continuing Property Records ("CPRs") and G/L details; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendors, network vendor transactions and invoices; and physical inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered Companies. The scope of our work relates to disbursements made from the High Cost Program during the six-month period from July 1, 2020 to December 31, 2020.

Our performance audit includes, but is not limited to, the following areas of focus:

1. Annual Supply Chain Certification
2. Asset Records
3. Network Architecture
4. Vendor Transactions

PROCEDURES

1. Annual Supply Chain Certification

KPMG obtained the FCC Form 481 related to the High Cost disbursement period under review, and verified that the USF Recipient certified that "no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by the Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations."

2. Asset Records

KPMG obtained the Central Office Equipment CPRs and reconciled the amounts to the Trial Balance for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment were accounted for in the carrier's records. KPMG did a key word search of the COE CPRs to obtain reasonable assurance that no links to the Covered Companies could be identified. KPMG selected a non-statistical sample of 15 assets and requested supporting invoices to verify that the equipment detail in the invoices matched the CPR

details and that no equipment or services were produced or provided by the Covered Companies. KPMG also reviewed the Telecom Plant Under Construction account to verify that any work in progress (not yet added to the CPRs) could not be traced to the Covered Companies.

3. Network Architecture

KPMG reviewed Clarence Telephone Company's network diagram and conducted a physical inspection of the network to validate the physical existence of a sample of 18 COE assets and to confirm that the manufacturer and model in the CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets to verify that key indicators such as asset manufacturer, vendor, and model could not be traced to Covered Companies.

4. Vendor Transactions

KPMG obtained a list of approved Vendors and Vendor transaction G/L details. KPMG researched the Vendors to verify that none were linked to the Covered Companies. To further verify that no other Vendors were used to provide services to the network, KPMG selected a non-statistical sample of 20 transactions from G/L expense accounts including 6210 (Switching Expense) and 6230 (Transmission Expense). We obtained and reviewed underlying invoices to verify that the transactions sampled were not USF funded network equipment or services that could be traced to Covered Companies. KPMG also performed a keyword search in the G/L accounts noted above to obtain reasonable assurance that no links to the Covered Companies could be identified.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

KPMG's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

KPMG's evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relevant to the disbursements made from the High Cost Program during the six-month period ended December 31, 2020, identified no audit findings.

**** This concludes the audit report.****

Attachment C

SC2022BE007

Available For Public Use

*East Otter Tail Telephone Company
Audit ID: SC2022BE007
(SAC: 361385)*

*Performance audit for the Universal Service Fund
Supply Chain Audit Program related to High Cost
Disbursements made from July 1, 2020 to
December 31, 2020; and Rural Health Care
disbursements made from July 1, 2020 to June 30,
2021*

Prepared for: Universal Service Administrative Company

As of Date: March 28, 2023

KPMG LLP
8350 Broad Street
Suite 900
McLean, VA 22102

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KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

EXECUTIVE SUMMARY

March 28, 2023

Ms. Teleshia Delmar, Vice President – Audit and Assurance Division
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Delmar:

This report presents the results of our work conducted to address the Supply Chain performance audit objective relative to East Otter Tail Telephone Company (“Universal Service Fund (“USF”) Recipient” or “East Otter Tail”), Study Area Code (“SAC”) 361385 and Service Provider Identification Number (“SPIN”) 143002091, for disbursements of \$12,730,576 made from the Universal Service Fund’s High Cost Program from July 1, 2020 to December 31, 2020; and disbursements of \$29,860 made from the Rural Health Care Program from July 1, 2020 to June 30, 2021. Our work was performed from June 30, 2022, to March 28, 2023 and our results are as of March 28, 2023.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (“AICPA”). This performance audit did not constitute an audit of financial statements, or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The objective of this performance audit was to evaluate the USF Recipient’s compliance with the Federal Communications Commission’s (“FCC”) *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9 (collectively, the “FCC Rules”) relative to disbursements of \$12,730,576 made from the High Cost Program from July 1, 2020 to December 31, 2020; and disbursements of \$29,860 made from the Rural Health Care Program from July 1, 2020 to June 30, 2021.

Compliance with FCC Rules is the responsibility of the USF Recipient who is required to affirmatively demonstrate compliance with the applicable rules. Our responsibility is to evaluate the USF Recipient’s compliance with the FCC Rules based on our audit objective.

As our report further describes, KPMG did not identify any audit findings as a result of the work performed.



KPMG cautions that projecting the results of our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of the Universal Service Administrative Company, the USF Recipient, and the FCC and is not intended to be and should not be relied upon by anyone other than these specified parties. This report is not confidential and may be released by USAC and the FCC.

Sincerely,

KPMG LLP

cc: Radha Sekar, USAC Chief Executive Officer
Victor Gaither, USAC Vice President, High Cost Division
Mark Sweeney, USAC Vice President, Rural Health Care Division

List of Acronyms

Acronym	Definition
ACAM	Alternative Connect America Cost Model
CAF ICC	Connect America Fund Inter-carrier Compensation
C.F.R.	Code of Federal Regulations
COE	Central Office Equipment
Covered Companies	Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries were designated as a threat to national security by the FCC on June 30, 2020.
CPR	Continuing Property Record
East Otter Tail	East Otter Tail Telephone Company
FCC	Federal Communications Commission
FCC Form 481	Carrier Annual Reporting Data Collection Form
FCC Form 463	Rural Health Care Invoice to USAC for reimbursement
FRN	Funding Request Number
G/L	General Ledger
RHC	Rural Health Care
SAC	Study Area Code
TB	Trial Balance
USAC	Universal Service Administrative Company
USF	Universal Service Fund

AUDIT RESULTS AND RECOVERY ACTION

KPMG's performance audit procedures identified no audit findings.

BACKGROUND, OBJECTIVES, SCOPE AND PROCEDURES

BACKGROUND

Program Overview

USAC is an independent not-for-profit corporation operating under the FCC's direction pursuant to 47 C.F.R. Part 54. USAC is the permanent administrator of the Universal Service Fund ("USF"), which includes four support mechanisms: High Cost, Lifeline, Rural Health Care, and E-Rate. With these four support mechanisms, the FCC strives to ensure that people in the United States have affordable access to advanced telecommunications services.

On November 22, 2019, the FCC adopted the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order*, which adopted a rule, codified at 47 C.F.R. § 54.9, prohibiting the use of USF support to purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by any company found to pose a national security threat to the integrity of communications networks or the communications supply chain¹. On June 30, 2020, the FCC's Public Safety and Homeland Security Bureau issued final designations of Huawei Technologies Company and ZTE Corporation, and their parents, affiliates, and subsidiaries, as companies that pose such threats ("Covered Companies")², and thus, the prohibition against the use of USF support applies to equipment and services produced or provided by these Covered Companies as of June 30, 2020.

USAC engaged KPMG to conduct a performance audit relating to the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$12,730,576 made from the High Cost Program from July 1, 2020 to December 31, 2020; and disbursements of \$29,860 made from the Rural Health Care Program from July 1, 2020 to June 30, 2021.

USF Recipient Overview

East Otter Tail (SAC: 361385 and SPIN: 143002091), the subject of this performance audit, is located in Perham, Minnesota. East Otter Tail provides telephone, internet and television services. East Otter Tail is a wholly-owned subsidiary of Arvig Enterprises, Inc. Established in Minnesota in 1984, Arvig Enterprises, Inc. through its subsidiaries, provides regulated and non-regulated telecommunication, internet and broadband, security, television, and construction services³.

¹ *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423 (2019); 47 C.F.R. Section 54.9.

² *Public Safety and Homeland Security Bureau Issues Final Designations of Huawei Technologies Company and ZTE Corporation as Companies Posing a National Security Threat to the Integrity of Communications Networks and the Communications Supply Chain. Pursuant to 47 CFR § 54.9. PS Docket Nos. 19-351, 19-352*, Public Notice, 35 FCC Rcd 6602 (8).

³ USF Recipient overview information is from the Report of Independent Auditors and Consolidated Financial Statements with Supplementary Consolidating Schedules: Arvig Enterprises, Inc. and Subsidiaries; December 31, 2020 and 2019.

High Cost

In the table below, we show the High Cost support disbursed by USAC to the USF Recipient during the six-month period from July 1, 2020 to December 31, 2020, by High Cost fund type:

High Cost Fund Type	Amount
ACAM	\$12,360,394 ⁴
CAF ICC	\$370,182
TOTAL	\$12,730,576

Source: USAC

The USF Recipient received High Cost support during the six-month period from July 1, 2020 to December 31, 2020, based on legacy funds driven by historical data and modernized funds driven by deployment obligations.

CAF ICC legacy funds, disbursed in 2020, were based on forms submitted in 2019 that encompass 2018 data (line count data and totals of specific pre-designated General Ledger Accounts including all asset accounts that roll into the Telecom Plant in Service as well as specific deferred liabilities and operating expenses subject to the allocation between regulated and non-regulated activities). ACAM modernized funds, disbursed in 2020, were based on the FCC support authorization public notice and subject to future deployment obligations.

Rural Health Care

In the table below, we show the Rural Health Care (“RHC”) support disbursed by USAC to the USF Recipient during the twelve-month period from July 1, 2020 to June 30, 2021, by RHC program fund:

RHC Program Fund	Amount
Healthcare Connect Fund	\$29,860
TOTAL	\$29,860

Source: USAC

The RHC Program funds two types of services: Voice and Data services via the Telecommunications Program and Broadband services via the Healthcare Connect Fund.

OBJECTIVES

The audit objective of this performance audit was to evaluate the USF Recipient’s compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relative to disbursements of \$12,730,576 made from the High Cost Program from July 1, 2020 to December 31, 2020; and disbursements of \$29,860 made from the RHC Program from July 1, 2020 to June 30, 2021.

SCOPE

The scope of this performance audit included, but was not limited to, review of the Continuing Property Records (“CPRs”) and G/L details; review of internal network diagrams and internal scan outputs, if available; review of vendor policies, approved vendors, network vendor transactions and invoices; and virtual inspection to determine whether USF funds were used for equipment or services produced or provided by the Covered Companies. The scope of our work related to disbursements made from the High Cost Program from July 1, 2020 to December 31, 2020; and disbursements made from the Rural Health Care Program from July 1, 2020 to June 30, 2021.

⁴ Based on the procedures performed, KPMG verified that the ACAM disbursements were not used to “purchase, obtain, maintain, improve, modify, or otherwise support any equipment or services produced or provided by” Covered Companies as of December 31, 2020. Because ACAM has a future deployment obligation, any remaining ACAM disbursements may still be expended in periods subsequent to our performance audit period.

Our performance audit includes, but is not limited to, the following focus areas:

1. Annual Supply Chain Certification
2. Asset Records
3. Network Architecture
4. Vendor Transactions

PROCEDURES

1. Annual Supply Chain Certification

KPMG obtained the FCC Form 481 and FCC Form 463 related to the High Cost and RHC disbursement periods under review, and verified the USF Recipient certified that “no universal service support has been or will be used to purchase, obtain, maintain, improve, modify or otherwise support any equipment or services produced or provided by any company designated by the Federal Communications Commission as posing a national security threat to the integrity of communications networks or the communications supply chain since the effective date of designations.”

2. Asset Records

High Cost

KPMG noted the ACAM funds disbursed to East Otter Tail (SAC: 361385) were further allocated across a total of 14 SACs, including East Otter Tail, which was the designated administrative SAC. East Otter Tail received the largest ACAM allocation and also received the CAF ICC funds, which were not allocated across any other SAC. KPMG sampled East Otter Tail and the next four SACs (Loretel, Melrose, Peoples and Redwood) with the largest ACAM allocation for testing. KPMG obtained the Central Office Equipment CPRs for each of the five selected SACs and reconciled the amounts to the Trial Balance for accounts 2210 (Central Office – Switching) and 2230 (Central Office – Transmission) to ensure all telecommunications network equipment were accounted for in the carrier’s records. KPMG performed a key word search of the COE CPRs to obtain reasonable assurance that no links to the Covered Companies could be identified. KPMG selected a non-statistical sample of 29 assets from the COE CPRs for the five selected SACs and requested supporting invoices to verify that the equipment detail in the invoices matched the COE CPR details and that no equipment or services purchased were produced or provided by the Covered Companies. KPMG also reviewed the Telecom Plant Under Construction account 2006 (Materials) to verify whether any work in progress (not yet added to the CPRs) could be traced to the Covered Companies.

RHC

KPMG selected two out of two Funding Request Numbers for testing. This represents 100% coverage of the disbursed dollars. KPMG obtained the underlying East Otter Tail bills that support the FCC Forms 463 submitted to USAC for reimbursement. KPMG reviewed the monthly bills for the two FRNs to determine if any equipment was included as part of the service provided. KPMG also inquired of East Otter Tail to understand if they provisioned any equipment to the RHC Beneficiaries as part of this service. KPMG noted no equipment was provisioned to the Beneficiaries as part of the broadband service provided, and East Otter Tail confirmed any equipment used to provide the service was included in the network documentation provided. KPMG reviewed the East Otter Tail network, which was used to provide the broadband service, as described in the Network Architecture section below.

3. Network Architecture

KPMG reviewed network diagrams and conducted a virtual inspection of the networks for East Otter Tail, Loretel, Melrose, Peoples and Redwood. We validated the physical existence of a sample of 26 COE assets from 18 different locations within the five selected SACs and confirmed that the manufacturer and model in the CPR details provided matched the equipment in service. We reviewed the COE CPR details and physical COE assets for each of the five selected SACs to verify that key indicators such as asset manufacturer, vendor and model could not be traced to the Covered Companies. In addition to the COE CPRs, KPMG also obtained a network asset listing for the parent company Arvig. This listing was a combination of multiple monitoring tools used by Arvig across the SACs. KPMG performed a key-word search of this network asset listing to obtain reasonable assurance that no links to Covered Companies could be identified.

4. Vendor Transactions

KPMG obtained a list of approved Vendors and Vendor transaction G/L details. KPMG researched the Vendors to verify that none were linked to the Covered Companies. To further confirm that no other Vendors were used to provide services to the network, KPMG selected a non-statistical sample of 15 transactions from G/L network asset accounts 2110 (General Support), 2210 (Central Office – Switching) and 2410 (Cable & Wire Facilities) and network expense accounts 6110 (Network Support Expense) and 6410 (Cable & Wire Facilities Expense). We obtained and reviewed underlying invoices to verify that the transactions sampled did not include equipment or services produced or provided by the Covered Companies. KPMG also performed a keyword search of the G/L accounts noted above to obtain reasonable assurance that no links to the Covered Companies could be identified.

RESULTS

FINDINGS, RECOMMENDATIONS AND USF RECIPIENT RESPONSES

KPMG's performance audit procedures identified no audit findings. Refer to the Conclusion section below.

CONCLUSION

KPMG's evaluation of the USF Recipient's compliance with the *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs First Report and Order* and 47 C.F.R. § 54.9, relevant to the disbursements made from the High Cost Program from July 1, 2020 to December 31, 2020, and to the disbursements made from the Rural Health Care Program from July 1, 2020 to June 30, 2021, identified no audit findings.

** This concludes the audit report.**



Board of Directors Meeting

Enterprise Business Updates

Open Session

April 21, 2023



Agenda

- Appropriated Programs (Verbal Update)
 - Emergency Connectivity Fund (ECF)
 - Affordable Connectivity Program (ACP)
- Call Center Transition (Verbal Update)



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Board of Directors Meeting

Affordable Connectivity Program (ACP)
Business Update

Open Session

April 21, 2023



Agenda

- System Modernization Efforts
- Data Transparency Collection Project

System Modernization Efforts

- Completed
 - **ACP Continued Eligibility (January 17).** Automated the ACP Continued Eligibility process, which requires active ACP subscribers to re-confirm their eligibility in the National Verifier and avoid de-enrollment.
 - **ACP Online Application (March 30).** Re-designed and updated the ACP online application process.
- Upcoming
 - **Systems Uptime.** ACP system applications such as the National Verifier, NLAD, and the Claims System are expected to undergo significant system upgrades throughout 2023 to improve overall reliability and performance.

Transparency Data Collection Project

- The Infrastructure Jobs and Investment Act mandates an annual data collection for internet service plans selected by ACP subscribers.
- On **November 15, 2022**, the FCC adopted requirements for **ACP Transparency Data Collection (TDC)** as required by the Infrastructure Act.
 - All ACP providers will be required to submit annual data on subscription rates and plan characteristics of their broadband internet services.
- The **TDC** is currently undergoing Paperwork Reduction Act (PRA) approval.



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