

2007 High Cost & Low Income Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

January 22, 2007

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, January 22, 2007. Mr. Joel Lubin, Committee Vice Chair, called the meeting to order at 1:35 p.m. Eastern Time. Seven of eight members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Berlyn, Debra
Jortner, Wayne
Joseph, Kevin

Lee, Jonathan
Lubin, Joel – Vice Chair
Williams, Jason

Mr. Joseph joined the meeting at 2:53 p.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2, a3, and a4.

Members of the Committee not present:

Boyle, Anne

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance and Assistant Treasurer

Flannery, Irene – Senior Vice President, External Relations

Jackson, James – Member of the Board

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President, Internal Audit

Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Alco, John	USAC
Bayona, Janet	USAC
Beard, Jay	USAC
Brooks, Whitney	FCC
Castro, Mauricio	USAC
Colvin, Philip	USAC
Cunningham, Christina	USAC
Davis, Craig	USAC
Davis, Ta'Nea	USAC
Delmar, Teleshia – <i>by telephone</i>	USAC
Desrocher, Michael	USAC
Everett, Beth	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Gallant, Pam	USAC
Goff, Liz	USAC
Ho, Amanda	USAC
Khan, Sammy	USAC
Malychev, Victor	USAC
McCloud, Robert	USAC
Melendez, Ginna	USAC
Mitchell, Jeff	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Pertsevoi, Elizabeth	USAC
Reynolds, Renee	USAC
Rovetto, Edward	USAC
Spead, Michael	USAC
Starks, Eric	USAC

NAME

Uzoukwu, Gene

COMPANY

USAC

ACTION ITEMS:

- a1. **Approval of High Cost & Low Income Committee Meeting Minutes of October 23, 2006.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of October 23, 2006. Mr. Williams abstained noting that he was not a member of the Committee when this meeting occurred.
- a2. **Approval of 2nd Quarter 2007 and 2007 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Erwin introduced this item to the Committee. Mr. Barash suggested that this item be discussed and considered after item a7 below. The Committee agreed to defer discussion of this item.
- a3. **Approval of 2nd Quarter 2007 High Cost and Low Income Support Mechanisms Demand Projections for the January 31, 2007 FCC Filing.** Ms. Majcher introduced this item to the Committee. Ms. Majcher noted a correction in the second paragraph on page three of the issue paper for this item. The corrected paragraph should state: "Rural HCL support for calendar year 2007 will be more than the level of payments for 2006 because of a positive rural growth factor of 0.2517%, resulting in rural HCL support for calendar year 2007 capped at \$1.0500 billion."

During discussion, Mr. Lubin noted the variability in prior period adjustments and the corresponding effect on the contribution factor, which may cause confusion for the consumers when seeing varying USF charges on their telephone bills from quarter-to-quarter. Mr. Lubin requested that USAC staff explore the possibility of averaging the variances across all quarters to provide more consistency in the contribution factor. Mr. Belden agreed to investigate this matter and present the Committee with the findings.

Also during discussion, Mr. Jortner asked if Interstate Access Support is capped or has a target ceiling for each program year. Ms. Majcher explained that it is a target because periodically one or more carriers will become eligible for IAD in the quarter if a carrier is designated an Eligible Telecommunications Carrier (ETC) during the quarter, and in some cases, the ETC designation is received after the demand projection for IAS is made. If the support component were capped rather than set as a target, there may be insufficient funds under the cap to pay carriers that become eligible for IAS during the quarter.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 22, 2007, a summary of the 2nd Quarter 2007 High Cost and Low Income Support Mechanism demand estimates, hereby directs USAC staff to proceed with the required January 31, 2007, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. **Recommendation for Annual Election of Committee Chair and Vice Chair.** On behalf of Mr. Lubin, Ms. Majcher introduced this item to the Committee and requested nominations for the Committee Chair and Vice Chair positions. Mr. Jortner nominated Mr. Lubin for Committee Chair and Ms. Berlyn for Committee Vice Chair. Ms. Beryln stated that she would accept the position as Vice Chair pending no objection by her employer. There were no other nominations submitted.

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

RESOLVED, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect **Joel Lubin** as Chair and **Debra Berlyn** as Vice Chair of the USAC High Cost & Low Income Committee for a term that begins immediately following the conclusion of the January 23, 2007 Board of Directors meeting (whether by adjournment, postponement or recess) and ends when a successor to the Chair and/or Vice Chair has been elected or when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair's Board term expires.

- a5. **Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Mr. Scott introduced this item to the Committee noting that while the auditee was non-compliant, the issues were similar to other audits completed.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2005BE011, together with management's responses thereto, directs that such report be deemed final.

- a6. **Action on Two USAC Internal Audit Division Low Income Support Mechanism Limited Scope Beneficiary Reviews – Confidential & Proprietary – Executive**

Session Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Capozzi recommended that the reports be discussed in ***Executive Session*** because discussion of the reports ***relates to investigatory matters, or pending or contemplated enforcement action***, and public disclosure of the matters discussed therein could compromise law enforcement efforts.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the Low Income Support Mechanism beneficiary reports labeled LI2006LR001 and LI2006LR002 shall be conducted in ***Executive Session***.

- a7. **Consideration of Adjustment to High Cost and Low Income Programmatic Services Contract – Confidential and Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because discussion of this matter relates to USAC’s ***procurement strategy and contract administration***, and public disclosure of the matters discussed in this paper would compromise USAC’s negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of approval of an adjustment to the High Cost and Low Income Programmatic Services contract shall be conducted in ***Executive Session***.

INFORMATION ITEMS:

- i1. **High Cost and Low Income Support Mechanism Update.** Ms. Majcher provided a presentation on this item to the Committee. Mr. Jortner asked if there is a method for entities that are not carriers to update their contact information for Low Income subscribers. Ms. Majcher indicated that an e-mail could be sent to USAC at the following address:
question@HCLI.universalservice.org.

At 2:02 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

- a6. Action on Two Low Income Support Mechanism Operational Audits.** Mr. Scott introduced this item to the Committee. Mr. Jackson requested clarification regarding the criteria on which company can claim a Lifeline discount, when both a carrier and reseller are involved. Mr. Capozzi noted that USAC would review FCC rules on this topic and report back to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Review Reports labeled LI2006LR001 and LI2006LR002, together with management's responses thereto, directs that such reports be deemed final.

- a7. Consideration of Adjustment to the High Cost and Low Income Programmatic Services Contract.** On behalf of Mr. Lubin, Ms. Majcher introduced this item to the Committee. In her presentation, Ms. Majcher noted that the planned system enhancements would automate many processes currently being performed manually, which should reduce error rates. In addition, by 2009, Ms. Majcher anticipates manual workloads will be reduced by 25%. Further, Ms. Majcher explained that the enhancements would provide a flexible platform to establish standards and incorporate changes as well as provide more detailed and reliable information. Ms. Majcher noted that USAC would own the software developed as part of this effort.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves the recommendations made by USAC management concerning an increase of \$800,000 for 2007 to the High Cost and Low Income Programmatic Services Contract with Telcordia Technologies, Inc.

At 2:30 p.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move out of **Executive Session** and immediately reconvened in **Open Session**. Ms. Majcher reported on behalf of Mr. Lubin that the Committee took action on items a6 and a7 above in **Executive Session**.

OPEN SESSION:

- a2. **Approval of 2nd Quarter 2007 and 2007 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Erwin introduced this item to the Committee. In his presentation, he noted that the 2007 annual High Cost budget of \$15,140,600 is \$800,000 higher than the budget presented to the Committee in October due to increased spending for systems enhancements to be performed by Telcordia. In addition, the 2007 budget includes: (a) \$8,587,500 for IPIA audits, representing 57% of the programmatic budget; (b) Telcordia costs of \$4,791,200, representing 32% of the programmatic budget; and (c) the remaining 21% of the budget includes \$862,700 for compensation and benefits for 7.5 employees, \$397,000 for Part 36 data collection activities performed by NECA, \$317,000 for site visits, and \$185,200 for travel, printing, and miscellaneous administrative and outreach functions.

Mr. Erwin also stated that the 2nd Quarter 2007 High Cost programmatic budget of \$5,202,800 is \$4 million higher than 2nd Quarter 2006 actual expenses primarily due to IPIA audit and higher Telcordia contract costs.

Mr. Erwin noted that the 2007 annual Low Income budget of \$5,129,800 has not changed from the budget presented to the Committee in October. The budget includes: (a) \$2,440,00 for IPIA audits, representing 48% of the programmatic budget; (b) Telcordia contract costs of \$1,710,500, representing 33% of the programmatic budget; and the remaining 19% of the budget includes \$451,600 for compensation & benefits for 3.5 employees, \$474,600 for site visits, and \$53,100 for travel, printing, and miscellaneous administrative and outreach functions.

Mr. Erwin stated that the 2nd Quarter 2007 Low Income programmatic budget of \$1,626,700 is \$1,204,400 or 285% higher than 2nd quarter 2006 actual expenses primarily due to costs associated with the IPIA audits, site visits, and the Telcordia contract.

Mr. Lubin requested a report identifying USAC's expenses on audits compared to the amount of funds recovered as a result of audit findings. Mr. Scott stated that this data will be available in April. Mr. Scott also stated that in general amounts recovered exceeds audit costs, and regular audits strengthen program integrity and assist in identifying training and out-reach opportunities.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2007 programmatic budget for the High Cost Support Mechanism of \$5,202,800; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2007 annual programmatic budget for the High Cost Support Mechanism of \$15,140,600; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2007 programmatic budget for the Low Income Support Mechanism of \$1,626,700; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2007 annual programmatic budget for the Low Income Support Mechanism of \$5,129,800.

a8. Miscellaneous.

- Solicit ideas for the April 2007 Committee Agenda. Mr. Lubin reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Mr. Lubin, Ms. Berlyn or Mr. Barash between quarterly meetings.
- Mr. Williams inquired if the IPIA audits results would be available by the next meeting. Mr. Scott indicated that they would not be available.

On a motion duly made and seconded, the Board Adjourned at 2:45 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

April 23, 2007

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, April 23, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:30 p.m. Eastern Time. Six of eight members of the Committee were present, representing a quorum:

Berlyn, Debra – Vice Chair
Boyle, Anne
Joseph, Kevin – *by telephone*

Jortner, Wayne
Lubin, Joel –Chair
Williams, Jason

Mr. Jonathan Lee joined the meeting at 2:02 p.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2, a3 and a4, and he did not participate in the discussion of item i1.

Members of the Committee not present:

Barash, Scott

Other Board Members and officers of the corporation present:

Anderson, D. Michael – Member of the Board

Belden, Richard – Chief Operating Officer

Berlyn, Debra – Member of the Board

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, WB – Vice President, Finance and Assistant Treasurer

Flannery, Irene – Senior Vice President, External Relations

Jackson, James – Member of the Board

Majcher, Karen – Vice President, High Cost & Low Income Division

McClure, David – Member of the Board

Scott, Wayne – Vice President, Internal Audit

Talbott, Dr. Brian – Board Chair

Holcombe, Jamie – Vice President, Information Systems

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahmed, Sharmake	USAC
Ahn, Shane	USAC
Alco, John	USAC
Anderson, Latoya	USAC
Bayona, Janet	USAC
Beard, Jay	USAC
Bellavia, Leslie	USAC
Braxton, Kianna	USAC
Castro, Mauricio	USAC
Colvin, Philip	USAC
Cunningham, Christina	USAC
Davis, Craig	USAC
Davis, Ta'nea	USAC

<u>NAME</u>	<u>COMPANY</u>
Desrocher, Michael	USAC
Gallant, Pamela	USAC
Goff, Liz	USAC
Ho, Amanda	USAC
Hughes, Jeff	USAC
Kaffky, John	Bearing Point
Khan, Sammy	USAC
LeNard, Dave	USAC
Malebranche, Sandra	Telcordia
Master, Maneck	Telcordia
McCloud, Robert	USAC
Messemer, Steve	Bearing Point
Mitchell, Jeff	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Pam Gallant	USAC
Pertsevoi, Elizabeth	USAC
Rasmussen, Mary	USAC
Rodriguez, Jose Luis	FCC
Rovetto, Ed	USAC
Spead, Michael	USAC
Tawes, Pauline	USAC

ACTION ITEMS:

- a1. **Approval of High Cost & Low Income Committee Meeting Minutes of January 22, 2007.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of January 22, 2007. Mr. Joseph joined the meeting at 1:32 p.m. Eastern Time. He did not participate in the discussion of or vote on item a1.
- a2. **Approval of 3rd Quarter 2007 High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Erwin introduced this item to the Committee. In his presentation, Mr. Erwin noted that there were no proposed changes to the budget approved by the Committee in January, 2007.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2007 programmatic budget for the High Cost Support Mechanism of \$3,091,000; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2007 programmatic budget for the Low Income Support Mechanism of \$1,011,600.

- a3. **Approval of 3rd Quarter 2007 High Cost and Low Income Support Mechanisms Demand Projections for the May 2, 2007 FCC Filing.** Ms. Majcher introduced this item to the Committee. Mr. Erwin explained the financial results for 1st Quarter 2007 (1Q2007).

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 23, 2007, a summary of the 3rd Quarter 2007 High Cost and Low Income Support Mechanism demand estimates, hereby directs USAC staff to proceed with the

required May 2, 2007, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Kianna Braxton, Staff Auditor, USAC Internal Audit Division, presented this item to the Committee. Mr. Jackson noted that in the audit report, on page 2 of 17, the last line should read "ISDN lines are incorrectly classified as 23 lines per arrangement instead of five."

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2006BE001, together with management's responses thereto, hereby accepts the recommendation of USAC management and recommends that such report be deemed final.

a5. Miscellaneous.

- Solicit ideas for July 2007 Committee Agenda. Mr. Lubin informed the Committee that agenda ideas for the next quarterly meeting may be submitted to Ms. Majcher, Ms. Berlyn or him.

INFORMATION ITEMS:

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee. In her presentation, Ms. Majcher noted that USAC has contacted all telecommunications carriers participating in the Lifeline program to encourage them to post or update their information on www.lifelinesupport.org. She reported that 301 carriers have used the system to add or update their information and out-reach will continue through July 2007.
- i2. Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee. In his presentation, Mr. Scott noted that USAC has received 27 High Cost draft audit

reports and 29 Low Income draft audit reports all of which are presently undergoing quality assurance review.

- i3. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.
- i4. **Analysis of Low Income Support Mechanism Participation Rates.** Ms. Majcher presented this item to the Committee. In her presentation, Ms. Majcher noted that study findings revealed that Lifeline participation nationwide decreased 4% between 2005 and 2006, due to a 3.42% decrease in Lifeline subscribers. The decrease was attributable to new verification rules requiring telecommunications carriers to verify the continued eligibility of their Lifeline subscribers. Customers who are found to be ineligible, along with those that fail to respond to the carrier's verification request, are removed from Lifeline support eligibility. In addition, several states have expanded their eligibility criteria, which increased the number of eligible households by approximately 10%. The combination of these two factors led to the overall 4% decrease in Lifeline participation nationwide.
- i5. **Miscellaneous.** No additional items were discussed.

On a motion duly made and seconded, the Committee adjourned at 2:27 p.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

July 13, 2007

MINUTES

A non-quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 13, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 12:07 p.m. Eastern Time. Five of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Jortner, Wayne – *by telephone*
Lee, Jonathan – *by telephone*

Lubin, Joel – Chair – *by telephone*
Williams, Jason – *by telephone*

Members of the Committee not present:

Boyle, Anne

Joseph, Kevin

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Braxton, Kianna	USAC
Briddell, Chris	USAC
Davis, Craig	USAC
Davis, Ta'Nea	USAC
Delmar, Teleshia	USAC
Desrocher, Michael	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC

ACTION ITEMS:

- a1. Action on Nine High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee. In his presentation, Mr. Scott explained that the primary purpose for conducting the audit program was to assist the FCC's Office of Inspector General (OIG) in conducting the number of audits necessary to calculate an estimated error rate of improper payments in accordance with Office of Management and Budget (OMB) guidance regarding the Improper Payments Information Act (IPIA). Mr. Scott also explained the FCC's OIG defined the objectives, scope and size of the audit program, noting that under compliance attestation examinations, each audit is concluded with one of four opinions: unqualified, qualified, disclaimer or adverse. In addition, Mr. Scott explained that costs for the audits being considered today include audit firm, quality assurance review and project management fees billed through May 31, 2007. The costs do not include the expenses and time of USAC staff and beneficiaries that were audited.

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

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the nine High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

a9. Action on Nine Low Income Support Mechanism Beneficiary Compliance Attestation Audit Reports. Mr. Scott introduced this item to the Committee.

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

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the nine Low Income Support Mechanism Beneficiary Compliance Attestation Audit Reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, hereby accepts the recommendation of USAC management and determines that such reports shall be deemed final.

On a motion duly made and seconded, the Committee adjourned at 12:30 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

July 23, 2007

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 23, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:01 p.m. Eastern Time. Six of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Boyle, Anne
Jortner, Wayne

Lee, Jonathan
Lubin, Joel – Chair
Williams, Jason – *by telephone*

Mr. Kevin Joseph joined the meeting at 1:05 p.m. Eastern Time. He did not participate in the discussion of or vote on item a1.

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Technology

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahmed, Sharmarke	USAC
Ahn, Shane	USAC
Alco, John	USAC
Bayona, Janet	USAC
Beard, Jay	USAC
Betancourt, Laura	USAC
Braxton, Kianna	USAC
Briddell, Chris	USAC
Colvin, Philip	USAC
Cunningham, Christina	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Desrocher, Michael	USAC
Faunce, Donna	USAC
Friend, Dan	USAC
Gallant, Pam	USAC
Ho, Amanda	USAC
Hughes, Jeff	USAC
Khan, Sammy	USAC
LeNard, Dave	USAC
McCloud, Robert	USAC
Morrow, Henry	FCC

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC
Pertsevoi, Elizabeth	USAC
Rovetto, Edward	USAC
Samuel, Denise	USAC
Spead, Michael	USAC

ACTION ITEMS:

a10. Approval of High Cost & Low Income Committee Meeting Minutes of April 23, 2007. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meeting of April 23, 2007.

a11. Approval of 4th Quarter 2007 and Revised Annual 2007 High Cost and Low Income Support Mechanisms Programmatic Budgets. Mr. Erwin introduced this item to the Committee. In his presentation, Mr. Erwin noted that the Fourth Quarter 2007 (4Q2007) High Cost and Low Income programmatic budgets are lower than those approved by the Committee at its meeting on January 22, 2007 by \$1,705,000 and \$47,600, respectively. Mr. Erwin explained that the reductions are attributable to reduced costs for the first round of IPIA audits, resulting in budget reductions of \$2,795,000 for the High Cost program and \$523,400 for the Low Income program, which will be partially offset by budget increases required to begin a second round of IPIA audits later this summer. Mr. Erwin also noted that an estimated \$1,090,400 would be needed to begin the second round of IPIA audits for the High Cost program and \$475,800 to begin the second round of audits for the Low Income program.

Mr. Erwin requested the Committee approve a 4Q2007 High Cost Support Mechanism programmatic budget of \$794,400, which includes \$1,225,500 for the program operations support services from contractors, a credit of \$843,600 for IPIA audit work (\$1,951,400 in spending offset by the credit of \$2,795,000 for reduced round one costs), \$215,800 for compensation and benefits, \$99,300 for High Cost data collection services, \$80,200 for site visits, and \$17,200 for personnel expenses, travel, meetings & conferences, and administrative functions.

Mr. Erwin requested the Committee approve a 4Q2007 Low Income Support Mechanism programmatic budget of \$799,100, which includes \$439,500 for program operations support

services from contractors, \$197,100 for IPIA audits, \$40,100 for site visits, and \$122,400 for administrative and outreach functions including compensation and benefits for 3.5 employees.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2007 programmatic budget for the High Cost Support Mechanism of \$794,400; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2007 annual programmatic budget for the High Cost Support Mechanism of \$13,436,000; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2007 programmatic budget for the Low Income Support Mechanism of \$799,100; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2007 annual programmatic budget for the Low Income Support Mechanism of \$5,082,200.

- a3. **Approval of 4th Quarter 2007 High Cost and Low Income Support Mechanisms Demand Projections for the August 2, 2007 FCC Filing.** Ms. Majcher introduced this item to the Committee noting that historical projections for ILECs and CETCs did not vary greatly over the previous four quarters. Ms. Majcher noted that the total High Cost Support Mechanism would require funding adjustments to include a reduction resulting from prior-period adjustments of \$38.18 million, an increase for administrative costs of \$3.24 million, and a reduction resulting from allocated projected interest income of \$3.87 million; resulting in a total projected funding requirement for the High Cost Support Mechanism for 4Q2007 of \$1.10 billion. Ms. Majcher noted that the Low Income Support Mechanism, would require funding adjustments to be increased due to prior-period adjustments of \$9.78 million and administrative expenses of \$1.32 million, and a reduction of allocated projected interest income of \$2.42 million; resulting in a total projected funding requirement for the Low Income Support Mechanism for 4Q2007 of \$221.70 million.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 23, 2007, a summary of the 4th Quarter 2007 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required August 2, 2007 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. **Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Kianna Braxton, USAC Internal Audit Division (IAD), Senior Internal Auditor, presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2006BE002, together with management's responses thereto, hereby accepts the recommendation of USAC management and determines that such report shall be deemed final.

- a5. **Action on One USAC Internal Audit Division Low Income Support Mechanism Limited Scope Beneficiary Review Audit Report – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that the report be discussed in *Executive Session* because the report *relates to investigatory matters, or pending or contemplated enforcement action*.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the Low Income Universal Service Support Mechanism beneficiary review audit report labeled LI2006LR003 shall be conducted in *Executive Session*.

- a6. **Proposed Adjustment to the High Cost and Low Income Programmatic Services Contract – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this item be discussed in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the approval of an adjustment to the High Cost and Low Income programmatic services contract shall be conducted in ***Executive Session***.

- a7. **Miscellaneous. Solicit ideas for October 2007 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the October 2007 quarterly meeting by submitting ideas to Mr. Lubin or Ms. Majcher.

INFORMATION ITEMS:

- i1. **High Cost and Low Income Support Mechanism Update.** Ms. Majcher presented this item to the Committee, noting the following items:
- Twin Valley Telephone Company filed suit against USAC and NECA in federal court in Kansas on April 27, 2007. Twin Valley seeks more than \$900,000 in damages based on alleged failure to pay acquired exchange support to it as the acquiring carrier in advance of the FCC's release of a study area waiver order at the present time. USAC filed a motion to dismiss the complaint on June 29, 2007 with the court asserting that Twin Valley failed to pursue all available administrative remedies and the FCC should be the entity with primary jurisdiction to interpret its orders rather than the court. To date, the court has not taken action on this motion. At the present time, USAC is unable to estimate whether a favorable or unfavorable outcome is likely, or the amount or range of potential loss in the event of an unfavorable outcome.
 - The FCC has established a standard August 31st filing deadline for Low Income Carrier and Lifeline Certifications.
 - In January 2007, USAC staff began contacting companies to encourage them to post or update their information on www.lifelinesupport.org using an on-line posting tool. All ETCs have been contacted and have received new or updated information for approximately 653 of the 15,000 study areas.

At 1:36 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into ***Executive Session*** for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

- a5. **Action on One USAC Internal Audit Division Low Income Support Mechanism Limited Scope Beneficiary Review Audit Report.** Mr. Lubin recused himself from this discussion. Ms. Delmar introduced this time to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution, with Mr. Lubin abstaining:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Review Audit Report labeled LI2006LR003, together with management's responses thereto, directs that such report be deemed final.

- a6. **Proposed Adjustment to the High Cost and Low Income Programmatic Services Contract.** Ms. Majcher introduced this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves the recommendations made by USAC management concerning proposed modifications to the High Cost and Low Income Programmatic Services Contract with Telcordia Technologies, Inc.

At 1:50 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Mr. Lubin reported that the Committee took action on items a5 and a6 above in **Executive Session**.

On a motion duly made and seconded, the Committee adjourned at 1:52 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

September 5, 2007

MINUTES

A non-quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Wednesday, September 5, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 12:34 p.m. Eastern Time. Six of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Boyle, Anne – *by telephone*
Jortner, Wayne – *by telephone*

Lee, Jonathan – *by telephone*
Lubin, Joel – Chair – *by telephone*
Williams, Jason – *by telephone*

Members of the Committee not present:

Joseph, Kevin

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel and Assistant Secretary

Jackson, James – Member of the Board of Directors

Majcher, Karen – Vice President, High Cost & Low Income Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Braxton, Kianna	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Gallant, Pamela	USAC
Ho, Amanda	USAC
Nuzzo, Patsy	USAC
Smith, Michael	FCC

ACTION ITEMS:

- a1. Action on 15 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Ms. Delmar, USAC Internal Audit Division, Manager of Internal Audit, introduced this item to the Committee. Mr. Lubin inquired as to why some audits were listed with a monetary effect without an amount to be recovered. Ms. Delmar explained that those items require additional guidance from the FCC before the recovery amount can be determined.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution, with Mr. Lubin abstaining:

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the 15 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a12. Action on 17 Low Income Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Ms. Delmar introduced this item to the Committee noting that there were 34 audits remaining to be presented to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution with Mr. Lubin abstaining:

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the 17 Low Income Support Mechanism Beneficiary Compliance Attestation Audit reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

On a motion duly made and seconded, the Board adjourned at 12:49 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

October 22, 2007

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 22, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 1:05 p.m. Eastern Time. Six of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Jortner, Wayne
Joseph, Kevin – *by telephone*

Lee, Jonathan
Lubin, Joel – Chair
Williams, Jason – *by telephone*

Ms. Anne Boyle joined the meeting at 1:55 p.m. Eastern Time. She did not participate in the discussion of or vote on item a1.

Other Board Members and Officers of the corporation present:

Anderson, D. Michael – Member of the Board

Belden, Richard – Chief Operating Officer

Campbell, Anne – Member of the Board

Capozzi, David – Acting General Counsel and Assistant Secretary

Erwin, W.B. – Vice President, Finance, and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Technology

Jackson, James – Member of the Board

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President, Internal Audit

Talbott, Dr. Brian – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ahn, Shane	USAC
Alco, John	USAC
Bayona, Janet	USAC
Beard, Jay	USAC
Bilodeau, Amanda	USAC
Castro, Mauricio	USAC
Colvin, Philip	USAC
Cunningham, Christina	USAC
Davis, Ta'Nea	USAC
Delmar, Teleshia	USAC
Desrocher, Michael	USAC
Gallant, Pam	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
Khan, Sammy	USAC
Klaffky, John	BearingPoint
McCloud, Robert	USAC
Mitchell, Jeff	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC

<u>NAME</u>	<u>COMPANY</u>
Pertsevoi, Elizabeth	USAC
Spead, Michael	USAC
Uzoukwu, Gene	USAC

ACTION ITEMS:

- a13. Approval of High Cost & Low Income Committee Meeting Minutes of July 13, 2007, July 23, 2007 and September 5, 2007.** On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of July 13, 2007, July 23, 2007 and September 5, 2007.
- a14. Approval of 1st Quarter 2008 High Cost and Low Income Support Mechanisms Programmatic Budgets and Information on the Estimated 2008 Annual Budgets.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC High Cost and Low Income Committee determines that the Approval of 1st Quarter 2008 High Cost and Low Income Support Mechanism Programmatic Budget and Information on the Estimated 2008 Annual Budget shall be conducted in *Executive Session*.

- a3. Approval of 1st Quarter 2008 High Cost and Low Income Support Mechanisms Demand Projections for the November 2, 2007 FCC Filing.** Ms. Majcher introduced this item to the Committee, noting that Rural High Cost Loop support for calendar year 2008 will be less than the level of payments for 2007 because of a rural growth factor of negative 1.4937%, resulting in rural High Cost Loop support for calendar year 2008 being capped at \$1.0343 billion. Ms. Majcher also commented that the prior period adjustments were larger than the previous quarter resulting in Third Quarter 2007 (3Q2007) actual billings being higher than expected due to higher revenues reported by contributors in their quarterly revenue projection and annual true-up filings. Further High Cost Support Mechanism distributions were lower than expected in 3Q2007, and bad debt expenses were lower than anticipated. In response to a previous request from the Committee to determine if the quarterly revenue fluctuations could be normalized quarter-over-quarter, Mr. Erwin explained that a briefing paper had been sent to the FCC seeking guidance on this matter.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 22, 2007, a summary of the 1st Quarter 2008 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required November 2, 2007 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. Action on 21 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott presented this item to the Committee, noting that Exhibit 1 to the issue paper summarizes the audits being presented today. Mr. Scott stated that most disclaimer reports resulted from the audited carriers not having sufficient documentation to justify their line costs. Mr. Lubin questioned the logic of conducting an audit on a disbursement that was a smaller amount than the cost of the actual audit and asked if USAC was required to conduct the audits in this manner. Mr. Scott explained that the sample was a statistically random sample therefore USAC would not be able to evaluate the cost of the audit based on potential recovery. Mr. Scott did suggest that if USAC was directed to focus on high risk entities, the cost recovery ratio may be more balanced. Mr. Belden explained that USAC has been in discussion with the FCC regarding these audits and how to conduct them.

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

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the 21 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports as listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a5. Action on 18 Low Income Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee, noting that there were 21 reports left to present to the Committee.

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

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the 18 Low Income Support Mechanism Beneficiary Compliance Attestation Audit

reports as listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a6. **Action on One USAC Internal Audit Division Low Income Support Mechanism Limited Scope Beneficiary Review Report.** In accordance with the approved criteria and procedure for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that the report be discussed in *Executive Session* because this matter *relates to investigatory matters, or pending or contemplated enforcement action*.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the Low Income Universal Service Support Mechanism beneficiary report labeled LI2006LR004 shall be conducted in *Executive Session*.

- a8. **Miscellaneous. Solicit ideas for October 2007 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the October 2007 quarterly meeting by submitting ideas to Mr. Lubin or Ms. Majcher.

INFORMATION ITEMS:

- i1. **High Cost and Low Income Support Mechanism Update.** Ms. Majcher presented this item to the Committee, noting the following:
- The System Improvement Implementation Plan continues to move forward. Telcordia's new project manager reassessed the project plan and reevaluated the impacts of additional functionality requested by USAC, including COREid (COREid is the mechanism used by USAC for carrier authentication and provides access to the online FCC Form 525). After evaluating these impacts, Telcordia adjusted the completion date for the first group of systems improvements from November 28, 2007 to January 21, 2008. This delay also affects the completion date for all groups of systems improvements. However, all systems improvements remain scheduled for completion by December 31, 2008. In order to mitigate any additional scheduling changes, Telcordia has added two additional developers and USAC and Telcordia are seeking to consolidate future releases to improve efficiencies.
 - Pursuant to Commission rules, and using average schedule data prepared and submitted to the FCC by the National Exchange Carrier Association, Inc. (NECA), USAC submitted the Local Switching Support (LSS) average schedule formula on September 28, 2007.¹ The formula will be effective for the 2008 calendar year. Consistent with the Commission's directives,² USAC is required to disclose when a Commission order or rule change causes a

¹ See 47 C.F.R. § 54.301(f)(1) for LSS filing requirements.

² See *In the Matter of Federal-State Joint Board on Universal Service, National Exchange Carrier Association, Inc. 2006 Modification of Average Schedule Universal Service Formulas*, DA 06-55 (rel. Jan. 12, 2006).

change in aggregate LSS to average schedule companies by more than 5% of the previous year's support. Based on USAC's analysis, modification of the *2008 Average Schedule Local Switching Support Formula* will not result in a variance of more than 5%.

- Twin Valley Telephone Company filed suit against USAC and NECA in federal court in Kansas. USAC was served with the complaint on May 30. Twin Valley seeks more than \$900,000 in damages based on alleged failure to pay acquired exchange support to it as the acquiring carrier in advance of the FCC's release of a study area waiver order. On October 15, 2007, the court in Kansas ordered Twin Valley to submit this matter to the FCC for review.
- On August 29, the Commission released the *USF Oversight Order* (FCC 07-150) designed to improve the management, administration, and oversight of the universal service fund. With regard to the Low Income program, the order established that ETCs must retain documentation of customer eligibility for Lifeline Support for three years after the customer stops receiving Lifeline Support. In addition, the order requires USAC to submit summary information regarding the annual verification results filed by Qwest, Verizon and AT&T with the Commission.
- On August 16, the Commission issued a Notice of Apparent Liability (NAL)³ against VCI Company (VCI) in the amount of \$1,047,500. The NAL asserts that VCI failed to provide USAC with accurate records of the revenues it forgoes in providing Low Income support. The NAL also asserts that VCI willfully sought duplicate recovery for Lifeline, Link Up and TLS customers on a repeated basis. The Commission instructed VCI to file revised Form 497s with USAC. At this time, VCI has failed to provide any of the required revisions and the company has not paid the forfeiture. USAC will continue to coordinate with the FCC on this matter.

i2. **Semiannual Status Report on Ongoing USAC Audits.** Mr. Scott presented this item to the Committee. The Internal Audit Division (IAD) continues to focus on high-risk beneficiaries identified through data analysis, whistleblower calls, and requests by USAC management. Such audits test whether the beneficiary was eligible to receive support and if the beneficiaries followed the support mechanism rules and regulations. Audit staff resources in the first part of 2007 have been used to support the IPIA audits. No new audits have been announced, however, IAD staff is planning to commence new audits after the next round of IPIA audits begin. Mr. Scott also noted that there are six Low Income Support audits that will be presented at future quarterly meetings. Four of the six audits were requested by USAC management.

i3. **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee.

At 1:55 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into **Executive Session** for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION:

³ *Notice of Apparent Liability for Forfeiture and Order*, FCC 07-148 (rel. August 15, 2007).

- a2. **Approval of 1st Quarter 2008 High Cost and Low Income Support Mechanisms Programmatic Budgets and Information on the Estimated 2008 Annual Budgets.** Mr. Belden introduced this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2008 programmatic budget for the High Cost Support Mechanism of \$3.9 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2008 programmatic budget for the Low Income Support Mechanism of \$1.8 million.

- a6. **Action on One USAC Internal Audit Division Low Income Support Mechanism Limited Scope Beneficiary Review Report.** Mr. Lubin recused himself from this discussion. Mr. Scott introduced this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution, with Mr. Lubin and Mr. Lee abstaining:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Review Report labeled LI2006LR004, together with management's responses thereto, directs that such report be deemed final.

At 2:45 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Mr. Lubin reported that the Committee took action on items a2 and a6 above in **Executive Session**.

OPEN SESSION:

- i4. **Miscellaneous.** Mr. Capozzi noted that the next Quarterly Committee Meeting would occur on Tuesday, January 22, 2008 to accommodate the Martin Luther King holiday.

On a motion duly made and seconded, the Committee adjourned at 2:47 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

December 4, 2007

MINUTES

A non-quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, December 4, 2007. Mr. Joel Lubin, Committee Chair, called the meeting to order at 12:02 p.m. Eastern Time. Five of seven members of the Committee were present, representing a quorum:

Barash, Scott – Acting CEO
Jortner, Wayne – *by telephone*
Joseph, Kevin – *by telephone*

Lee, Jonathan – *by telephone*
Lubin, Joel – Chair – *by telephone*

Members of the Committee not present:

Boyle, Anne
Williams, Jason

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary
Majcher, Karen – Vice President, High Cost & Low Income Division
Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

NAME	COMPANY
Davis, Craig	USAC
Delmar, Teleshia	USAC
Gallant, Pam	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC

NAME
Rodriquez, Jose

COMPANY
FCC

ACTION ITEMS:

- a15. Action On 20 High Cost Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Ms. Teleshia Delmar, Manager of Internal Audit, introduced this item to the Committee. Mr. Scott noted that based on written direction from the FCC received on October 31, 2007, any payment deemed improper must be recovered, which would include those audits with insufficient documentation. Mr. Scott stated that a letter is being drafted to the FCC to outline the recovery process for each program.

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

RESOLVED, that the USAC High Cost & Low Income Committee having reviewed the 20 High Cost Support Mechanism Beneficiary Compliance Attestation Audit reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

- a16. Action On 16 Low Income Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Ms. Delmar introduced this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution, with Mr. Lubin abstaining:

RESOLVED, that the USAC High Cost and Low Income Committee having reviewed the 16 Low Income Support Mechanism Beneficiary Compliance Attestation Audit reports listed in Exhibit 1 to the issue paper and attached thereto, together with management's responses, accepts the recommendation of USAC management and hereby deems such reports final.

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

/s/ David A. Capozzi

Assistant Secretary