2008 Schools and Libraries Committee Meetings Minutes

Click on a date below to see the minutes. To see the entire year's minutes, click on the first date. Once open, search within the document for a particular word or phrase, using the 'Find' feature or Ctrl+f.

Meeting Dates

January 22, 2008

April 2, 2008

April 28, 2008

June 19, 2008

June 30, 2008

July 28, 2008

October 27, 2008

December 9, 2008
MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Tuesday, January 22, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:01 a.m. Eastern Time. All seven members of the Committee were present when the roll was called, representing a quorum.

Barash, Scott – Acting CEO
Bryant, Anne – Vice Chair
Campbell, Anne – Chair
Jackson, Jimmy

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Boyle, 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, Information Systems
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President, Internal Audit
Others present for the meeting:

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ACTION ITEMS:


a2. Approval of 2nd Quarter 2008 and 2008 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden introduced this item to the Committee, noting that an estimated $104.8 million will be required for Schools and Libraries in 2008. Key drivers of this increase include the significant projected transition costs associated with changing the information technology (IT) support services contractor, a planned change for the operations support vendor during 2008, and an increase in the number and scope of the FCC Office of Inspector General (OIG) 2008 audit plan. Dr. Bryant stated that USAC is almost spending more on the FCC OIG USF audit program than on the administration of the programs. Dr. Bryant also noted that this expense was mandated by the FCC Inspector General.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 2nd Quarter 2008 budget for the Schools and Libraries Support Mechanism of $25.2 million and an annual 2008 programmatic budget for the Schools and Libraries Support Mechanism of $104.8 million.

a3. Approval of 2nd Quarter 2008 Schools and Libraries Support Mechanism Demand Projection for the February 1, 2008 FCC Filing. Mr. Blackwell 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 Schools & Libraries Committee, having reviewed at its meeting on January 22, 2008, a summary of the 4th Quarter 2007 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required February 1, 2008 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0
million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

a4. Recommendation for Annual Election of Committee Chair and Vice Chair. Ms. Campbell introduced this item to the Committee. Dr. Talbott commended Ms. Campbell and Dr. Bryant on their work during 2007 as Chair and Vice Chair of the Committee. Dr. Talbott nominated Ms. Campbell and Dr. Bryant to serve again as Chair and Vice Chair of the Committee during 2008.

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

RESOLVED, that the USAC Schools & Libraries Committee recommends that the USAC Board of Directors elect Anne Campbell as Chair and Dr. Anne Bryant as Vice Chair of the USAC Schools & Libraries Committee for a term that begins immediately following the conclusion of the January 23, 2008 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 Schools and Libraries Division Operational Follow-Up Audit Report. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that this matter be discussed in Executive Session because the report relates to specific internal controls and/or confidential company data that would constitute a discussion of internal rules and procedures.

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

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the USAC Internal Audit Division Schools and Libraries Support Mechanism operational follow-up audit report labeled SL2007FL003 shall be conducted in Executive Session.

a6. Miscellaneous. Solicit ideas for April 2008 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant or Mr. Blackwell between quarterly meetings.

INFORMATION ITEMS:

i1. Schools and Libraries Support Mechanism Update. Mr. Blackwell presented this item to the Committee. In his presentation, Mr. Blackwell noted the following:
On November 7, 2007, the Funding Year 2008 application filing window opened and will remain open through February 7, 2008.

On December 11, 2007, USAC released Funding Year 2007 Wave 33. As of December 31, 2007, USAC had issued funding decisions for 91% of Funding Year 2007 applications with net commitments totaling approximately $1.79 billion, which is a 10% increase of funds committed compared to this time last year.

The average time to process an invoice line was five days in October 2007, compared to six days during 2006. The invoicing team exceeded the October performance goal with 97.6% of invoice lines processed within 20 days.

USAC staff had exceeded its appeals processing goal every month this quarter and has processed 68% of appeals within 90 days.

USAC staff began outreach and follow up to address issues raised in the 155 FCC OIG 2006-07 USF audit program audits.

On October 19, 2007, the FCC released the Funding Year 2008 Eligible Services List (ESL).

USAC staff completed a series of seven successful applicant trainings entitled “Back to the New Basics.” About 1,400 participants attended the seven sessions and consistently gave the presentations high marks on evaluation forms.

i2. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation. 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 Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in Executive Session.

i3. Report on Schools and Libraries Support Mechanism Appeals Process. 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 discussion of this matter relates to USAC’s confidential internal rules and procedures.

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the Schools and Libraries Support Mechanism appeals process shall be conducted in Executive Session.

i4. Miscellaneous.

i4-1. Update on Pending Litigation. 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 is subject to the attorney-client privilege related to pending litigation.
On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC Schools & Libraries Committee determines that discussion of the update on pending litigation shall be conducted in Executive Session.

At 9:48 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into Executive Session for the purposes of discussing the confidential and proprietary items noted above. The Committee then recessed until 10:02 a.m. at which time it reconvened in Executive Session.

EXECUTIVE SESSION:

a5. Action on One Schools and Libraries Division Operational Follow-Up Audit Report. Mr. Chris Lenhardt, Supervisor, USAC Internal Audit Division, 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 Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism operational follow-up Audit Report labeled SL2007FL003, together with management’s responses thereto, hereby accepts the recommendation of USAC management and recommends to the USAC Audit Committee that such report be deemed final.

i2. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation. Mr. Barash provided an update on this item to the Committee.


i4 Miscellaneous.

i4-1. Update on Pending Litigation. Mr. Capozzi presented this item to the Committee.

At 11:12 a.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 Ms. Campbell reported that the Committee took action on item a5 and discussed items i2, i3, and i4 above in Executive Session.

On a motion duly made and seconded, the Committee adjourned at 11:14 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 2, 2008

MINUTES

A non-quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Wednesday, April 2, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 12:05 p.m. Eastern Time. Six of the seven members of the Committee were present when the roll was called, representing a quorum.

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair - by telephone
Campbell, Anne – Chair - by telephone
Jackson, Jimmy – by telephone
Simon, Phyllis – by telephone
Talbott, Dr. Brian – by telephone

Mr. David McClure joined the meeting by telephone at 12:12 p.m. Eastern Time. He did not participate in the discussion of or vote on item a1.

Other USAC members of the Board of Directors (Board) and officers of the corporation present:

Blackwell, Mel – Vice President, Schools and Libraries Division
Boyle, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W.B. – Vice President, Finance, and Assistant Treasurer
Jortner, Wayne – Member of the Board
Kragel, Dr. Peter – Member of the Board
Lubin, Joel – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President, Internal Audit
Others present for the meeting:

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**ACTION ITEMS:**

a1. **Consideration of Approval To Make Commitments for Priority 1 Services at 20% and Above for Funding Year 2008.** Mr. Blackwell introduced this time to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2008 with the parameters set at 20% and above for Priority 1 services.

**INFORMATION ITEMS:**

i1. **Miscellaneous.**

   i1–1. **Rural Health Care and Schools & Libraries Procurement Update.**

   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 Schools & Libraries Committee determines that discussion of the Rural Health Care and Schools & Libraries procurement update shall be conducted in *Executive Session*.

At 12:09 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above.

**EXECUTIVE SESSION:**

i1–1. **Rural Health Care and Schools & Libraries Procurement Update.** Mr. Barash presented this item to the Committee.

At 12:20 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 Ms. Campbell reported the Committee discussed item i1-1 above in *Executive Session*. On a motion duly made and seconded, the Committee adjourned at 12:20 p.m. Eastern Time.


/s/ David A. Capozzi

Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

April 28, 2008

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, April 28, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time. Six of the seven members of the Committee were present when the roll was called, representing a quorum.

Barash, Scott – Acting CEO
Bryant, Anne – Vice Chair
Campbell, Anne – Chair

McClure, David – by telephone
Simon, Phyllis
Talbott, Dr. Brian

Members of the Committee not present:

Jackson, Jimmy

Other Board Members and Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W. B. – Vice President of Finance, and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Others present for the meeting:

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ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of January 22, 2008 and April 2, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of January 22, 2008 and April 2, 2008.

a2. Approval of 3rd Quarter 2008 and Revised 2008 Annual Schools and Libraries Support Mechanism Programmatic Budget. Mr. Belden introduced this item to the Committee, noting that the revised programmatic budget is $104.7 million, which is $100,000 lower than the budget approved at the January 22, 2008 Committee meeting. The reduction results from a reallocation of $100,000 from the Schools and Libraries Support Mechanism programmatic budget for the 2007-2008 FCC OIG USF audit program to the USAC common budget for project management associated with this audit program. Mr. Belden also noted that the 3rd Quarter 2008 programmatic budget included program vendor costs, site visits, external relations training workshops, employee compensation and benefits, and administrative functions. With regard to the transfer of $21.48 million of USF funds to the FCC as required by the Consolidated Appropriations Act of 2008 (P.L.110-161), Mr. Belden noted that the transfers would be from the Universal Service Fund, but would be applied against the $2.25 billion support mechanism annual funding cap.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 3rd Quarter 2008 budget for the Schools and Libraries Support Mechanism of $28.8 million; and

FURTHER RESOLVED, that the USAC Schools & Libraries Committee approves a revised 2008 annual budget for the Schools and Libraries Support Mechanism of $104.7 million.
a3. **Approval of 3rd Quarter 2008 Schools and Libraries Support Mechanism Demand Projection for the May 2, 2008 FCC Filing.** Mr. Blackwell introduced this item to the Committee, noting that the 3rd Quarter 2008 projections total was $535.50 million. Mr. Barash noted that conducting the meetings one week later allowed USAC to incorporate actual numbers prior to distributing the issue paper to the Committee.

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

**RESOLVED,** that the USAC Schools & Libraries Committee, having reviewed at its meeting on April 28, 2008, a summary of the 3rd Quarter 2008 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required May 2, 2008 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but not more than $15.0 million.

a4. **Action on One Schools and Libraries Division Operational Follow-Up Audit Report.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that this matter be discussed in Executive Session because the report relates to specific internal controls and/or confidential company data that would constitute a discussion of internal rules and procedures.

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

**RESOLVED,** that the USAC Schools & Libraries Committee determines that discussion of the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Follow-Up Audit Report labeled SL2007FL004 shall be conducted in Executive Session.

a5. **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report.** In accordance with the approved criteria and procedure for conducting USAC Board and committee business in Executive Session, Mr. Capozzi recommended that this matter be discussed in Executive Session because the report relates to internal processes and procedures, 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 Schools & Libraries Committee determines that discussion of the Schools and Libraries Support Mechanism beneficiary performance audit report labeled SL2007BE001 shall be conducted in **Executive Session**.

a7. **Action on Two USAC Internal Audit Division Schools and Libraries Support Mechanism Limited Scope Beneficiary Reviews.** Mr. Chris Lenhardt, Supervisor, USAC Internal Audit Division, introduced this item to the Committee. Mr. Lenhardt noted that the service provider received a clean opinion, while the beneficiary was not compliant.

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

**RESOLVED**, that the USAC Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism beneficiary limited scope review reports labeled SL2007LR002 and SL2007LR005, together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

a8. **Miscellaneous.**
   a7-1 **Solicit ideas for July 2008 Committee Agenda.** Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant or Mr. Blackwell between quarterly meetings.
   a7-2. Ms. Campbell requested approval to attend the Schools and Libraries 2008 fall training. Mr. Barash noted that her request would be included on the July 29, 2008 agenda for the Board of Directors to consider.

**INFORMATION ITEMS:**

i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee. In his presentation, Mr. Blackwell noted the following:

   - The Funding Year 2008 application filing window closed on February 7, 2008. USAC received 98.2% of FCC Form 471 applications on-line.
   - Funding Year 2008 Program Integrity Assurance (PIA) procedures were approved by the FCC on April 10, 2008.
   - As of March 31, 2008, USAC issued funding decisions for 95% of the Funding Year 2007 funding requests.
   - The average time to process an invoice was five days, with 99% of invoices processed within 30 days.
   - The first wave for Funding Year 2008 ran on April 24, 2008.
• The FCC OIG USF audit program for Schools and Libraries is underway. Informational presentations have been placed on the program website to further explain document retention and asset management requirements.
• Service provider training sessions are scheduled for May 8 in Miami and May 14 in Salt Lake City. The theme is: “What to do and how to do it.” A presentation will be provided for new service providers.
• The volume of appeals is at an all time low. By the end of March, 169 workable appeals were pending, with 89% of appeals processed within 90 days.

Mr. Barash noted that while it was a challenging quarter, he offered praise for the coordination and cooperation between the Schools and Libraries team, USAC’s Information Technology (IT) group, and the various vendors that provide program support services. Mr. Barash also noted that Solix was instrumental in providing documentation required for the FCC OIG USF audit program. Committee members also noted that the FCC’s ability to respond more quickly has also improved USAC’s ability to respond with greater efficiency.

In response to a question from Ms. Simon, Mr. Blackwell noted that there were no system complaints during the window closing this year due to the efforts of the program staff and IT. Dr. Talbott concurred, noting that participants at the National Association of Media & Technology conference expressed appreciation that past issues were resolved.

Ms. Simon and Dr. Bryant complimented the staff, noting that the stability of the staff helps retain important institutional knowledge, while the influx of new employees offers the opportunity for continued growth and development of the organization.

i2. Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation. 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 Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in Executive Session.

i3. Semiannual Status Report on Ongoing USAC Audits. Mr. Scott presented this time to the Committee, noting that for the 2007-2008 FCC OIG USF audit program, as of April 18, 86% of the audits have been announced, entrance conferences have been completed for 71%, and fieldwork is complete for 48% of the audits. Through March, the cost of the audit program for the Schools and Libraries Support Mechanism reached $14.6 million. Mr. Scott noted that while there was a delay from the FCC, there has been no change to the FCC directive requiring that final data be provided by July 31.
i4.  **Semiannual Status Report on Actions Taken on Final USAC Audits.** Mr. Scott presented this item to the Committee, noting that the report providing a summary and follow-up actions is provided to the Board and Committee twice a year.

At 9:52 a.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. The Committee then recessed until 10:07 a.m. at which time it reconvened in Executive Session.

**EXECUTIVE SESSION:**

a4.  **Action on One Schools and Libraries Division Operational Follow-Up Audit Report.** Mr. Chris Lenhardt, Supervisor, USAC Internal Audit Division, 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 Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Follow-up Audit Report labeled SL2007FL004, together with management’s responses thereto, hereby accepts the recommendation of USAC management and recommends to the USAC Audit Committee that such report be deemed final.

a5.  **Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Performance Audit Report**  Mr. Chris Lenhardt 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 Schools & Libraries Committee, having reviewed the USAC Internal Audit Division Schools and Libraries Support Mechanism Beneficiary Audit Report labeled SL2007BE001 together with management’s responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

i2.  **Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** Mr. Barash presented this item to the Committee.

At 10:40 a.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 Ms. Campbell reported that the Committee took action on items a4 and a5 above discussed item i2 above, in Executive Session. The Committee, in discussing item i2, indicated to management that it should proceed as planned with
the May 5, 2008 deadline for submission of bids for the Schools and Libraries and Rural Health Care Program Support Services Solicitation.

On a motion duly made and seconded, the Committee adjourned at 10:46 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary
A non-quarterly joint meeting of the Rural Health Care Committee, the Schools & Libraries Committee and the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Thursday, June 19, 2008. At the request of Dr. Peter Kragel, Vice Chair of the Rural Health Care Committee, and Anne Campbell, Chair of the Schools & Libraries Committee, Dr. Talbott chaired the combined meeting. The meeting was called to order at 12:02 p.m. Eastern Time with quorums of six of eight Rural Health Care Committee members present, six of seven Schools & Libraries Committee members present and 12 of 19 Board members present. Following is a list of the attendees:

Barash, Scott – Acting CEO
Boyle, Anne – by telephone
Campbell, Anne – School & Libraries Committee Chair – by telephone
Gillan, Joseph – by telephone
Jackson, Jimmy – Board Vice Chair – by telephone
Jortner, Wayne – USAC Treasurer – by telephone
Knowles, Rex – by telephone
Kragel, Dr. Peter – Rural Health Care Committee Vice Chair and USAC Secretary – by telephone
McClure, David – by telephone
Schroeder, Lee – by telephone
Simon, Phyllis – by telephone
Talbott, Dr. Brian – Board Chair – by telephone

Dr. Anne Bryant, Schools & Libraries Committee Vice Chair, joined the meeting by telephone at 12:14 pm. Eastern Time. She did not vote on or participate in the discussion of item a1.

Ms. Joycelyn Tate joined the meeting at 12:35 p.m. Eastern Time. She did not vote on or participate in the discussion of items a1 or a2.

Members of the Board not present:

Anderson, D. Michael
Joseph, Kevin
Lubin, Joel
Sanders, Dr. Jay
Williams, Jason

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Bill – Vice President, Rural Health Care Division – by telephone
Erwin, W.B. – Vice President of Finance and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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<th>NAME</th>
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<tr>
<td>Amalfitano, Vince</td>
<td>FCC – by telephone</td>
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<td>Beard, Jay</td>
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<td>Cain, Jonathan</td>
<td>Mintz Levin</td>
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<td>Carroll, Kristy</td>
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<td>Reed, David</td>
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<td>Rodriguez, Jose</td>
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<td>Trew, Anne Marie</td>
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**ACTION ITEMS:**

**a1. Election of Directors to the USAC Board of Directors.** Dr. Talbot introduced this item to the Board.

On a motion duly made and seconded, the Board adopted the following resolutions:
RESOLVED, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Joseph Gillan to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2008, and Rex M. Knowles to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2009; and

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

a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services. 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 Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in Executive Session.

RESOLVED, that the USAC Schools & Libraries Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in Executive Session.

RESOLVED, that the USAC Board of Directors determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in Executive Session.
INFORMATION ITEMS:

i1. Miscellaneous. Discussion of FCC OIG USF Audit Program Status. 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 pre-decisional matters before the Federal Communications Commission.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the FCC OIG USF audit program shall be conducted in Executive Session.

At 12:09 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board moved into Executive Session for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION

a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services. Mr. Barash presented this item to the Schools & Libraries and Rural Health Care Committees and the Board. Mr. Barash, other members of the USAC management team and counsel for the company answered questions from Board members concerning the procurement process, discussions held with the FCC concerning the procurement, and next steps in completing the procurement.

On a motion duly made and seconded and after discussion, the Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED]\(^1\), for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

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\(^1\) Information concerning the recommend vendor, the term and the not-to-exceed cost of the contract has been redacted from these minutes because the procurement is under review at the FCC and a contract has not been awarded to the selected vendor. Once the FCC has approved the procurement and a contract award has been made, the minutes will be revised.
RESOLVED, that the USAC Schools & Libraries Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

RESOLVED, that the USAC Board of Directors having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

Mr. Knowles abstained from voting noting his recent nomination to the Board of Directors.

i1. Miscellaneous. FCC OIG USF Audit Program Status. Mr. Barash discussed this item with the Board.

At 12:45 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board adjourned from Executive Session and immediately reconvened in Open Session at which time Dr. Talbott reported that action was taken on item a2 above and item i1 above was discussed in Executive Session.

On a motion duly made and seconded, the Committee adjourned at 12:47 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary
MINUTES

A non-quarterly meeting of the Schools and Libraries Committee (Committee) of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, June 30, 2008. Anne Campbell, Chair of the Schools and Libraries Committee, called the meeting to order at 2:35 p.m. Eastern Time with a quorum of five of the seven Committee members present.

Barash, Scott – Acting CEO
Campbell, Anne – by telephone
Jackson, Jimmy – by telephone
Simon, Phyllis – by telephone
Talbott, Dr. Brian – Chair – by telephone

Members of the Committee not present:

Bryant, Dr. Anne
McClure, David

Officers of the corporation present:

Blackwell – Vice President, Schools and Libraries Division – by telephone

Capozzi, David – Acting General Counsel and Assistant Secretary

Others present for the meeting:

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<td>Amalfitano, Vince</td>
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<td>Eisley, Andy</td>
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ACTION ITEMS:

a1. Consideration of Approval to Make Commitments for Priority 2 Services At a Discount Rate of 90% for Funding Year 2008 and Approval to Deny Requests for Priority 2 Services at or below 79% for Funding Year 2008. Mr. Blackwell presented this item to the Committee.

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

**RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2008 with the parameters set at 90% and above for Priority 2 services; and

**FURTHER RESOLVED**, that the USAC Schools & Libraries Committee authorizes staff to deny, upon FCC approval, waves for Funding Year 2008 with the parameters set at 79% and below for Priority 2 services.

On a motion duly made and seconded, the Committee adjourned at 2:42 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

July 28, 2008

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday, July 28, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with a quorum of all seven members of the Committee attending.

Barash, Scott – Acting CEO
Bryant, Dr. Anne – Vice Chair
Campbell, Anne – Chair
Jackson, Jimmy

McClure, David – by telephone
Simon, Phyllis
Talbott, Dr. Brian - by telephone

Other Board Members and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Boyle, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Erwin, W. B. – Vice President of Finance and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems
Knowles, Rex – Member of the Board
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Tate, Joycelyn – Member of the Board – by telephone
Others present for the meeting:

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<td>Yee, Kim</td>
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ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of April 28, June 19 and June 30, 2008. On a motion duly made and seconded, the Committee approved the minutes as written of the Committee meetings of April 28, June 19 and June 30, 2008.

a2. Approval of 4th Quarter 2008 and Revised 2008 Annual Schools and Libraries Support Mechanism Programmatic Budgets. Mr. Belden presented this item to the Committee, noting a revised 2008 annual Schools and Libraries Support Mechanism programmatic budget of $105.6 million, which is $0.9 million higher than the budget approved by the Committee at the April 28, 2008, quarterly meeting. The increase is needed to fund 2008-2009 FCC Office of Inspector General (OIG) USF audit program start up costs. In addition, Mr. Belden also requested the Committee approve $29.7 million for Schools and Libraries programmatic activities in 4th Quarter 2008 (4Q2008), which includes:
   - $15.3 million for Solix program services and for transition costs associated with changing the information technology (IT) support services contractor.
   - $12.8 million for the FCC OIG USF audit program.
   - $0.8 million for site visits and external relations training workshops.
   - $0.7 million for compensation and benefits for 24 full time employees.
   - $0.1 million for personnel expenses, travel, miscellaneous outreach, certification for the Schools and Libraries/Rural Health Care Information Technology systems migration and administrative functions.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 4th Quarter 2008 budget for the Schools and Libraries Support Mechanism of $29.7 million and a revised 2008 annual budget for the Schools and Libraries Support Mechanism of $105.6 million.

a3. Approval of 4th Quarter 2008 Schools and Libraries Support Mechanism Demand Projection for the August 1, 2008 FCC Filing. Mr. Blackwell presented this item to the Committee, noting that the 4Q2008 projections total was $550.72 million. Dr. Bryant requested and received confirmation that as interest income is earned, the projection amounts are reduced. Mr. Jackson questioned if the carry forward amount announced by the FCC was included in these projections. Mr. Blackwell clarified that the carry over funds were for 2009.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:
RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on July 28, 2008, a summary of the 4th Quarter 2008 support mechanism demand estimates, including administrative costs, hereby directs USAC management to proceed with the required August 1, 2008 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

a4. Consideration of Program-Specific USF Stakeholder Engagement Strategies. Mr. Eric Iversen, Director of External Relations, presented this item to the Committee, noting that at the April meeting the Board of Directors discussed the BearingPoint contract set to expire in November. Two strategies were presented: one to make a clean break from BearingPoint; and the second to ramp-down the contract and eventually transition site visits and other components of the Engagement Strategy in-house to USAC. The Board requested details of the strategy allowing USAC to assume internal control be provided to the Board and the programmatic committees at their next quarterly meetings.

Mr. Iversen stated that a goal of the USF Stakeholder Engagement Strategy is to engage program stakeholder audiences in education and communications about opportunities for USF support designed to promote knowledge of and compliance with program rules and positive program outcomes. Mr. Iversen indicated that this strategy would reduce cost and define clear roles for the External Relations Division (ERD) which will continue to include outreach activities such as site visits. The external relations team would serve as the hub for planning, development, and execution, with the four program divisions and the USAC Finance team serving as spokes. Mr. Iversen stated that the external relations team will support a variety of engagement activities, ranging from how to use presentation tools to developing program reference materials to planning and executing group trainings and workshops.

In response to Dr. Bryant’s question regarding the functions the proposed three additional ERD employees would perform, Mr. Iversen stated that they would provide logistical and operational support such as managing communications materials, updating brochures, meeting planning and boosting internal training capabilities by creating various tools for training and presentations. Finally, while the program staff would be the experts during site visits, the ERD employees would also be a part of the team. Mr. Iversen noted that BearingPoint has already trained ERD and programmatic staff members in preparation for this transition.

Dr. Bryant commented that she appreciates the goals of the strategy, but questioned the planned reduction in site visits from 650 to 85. Ms. Campbell stated that she was a strong advocate of training and education as a tool and would prefer to see an increase in the number of people being contacted. Dr. Bryant agreed that USAC should reach out to participants as much as possible, but did understand that this would be a year of learning.
Mr. Blackwell indicated his support of the strategy, stating that the strength of the program is the ability to have experts in the field to provide immediate answers to questions. Mr. Blackwell reminded the Committee that the strategy was a start-up strategy and envisioned an increase in visits as staff becomes more efficient. Mr. Blackwell explained that the program would allow for clear, uniform communications and allow USAC to begin using of the wealth of existing data that has yet to be analyzed.

In response to a question from Ms. Simon, Mr. Barash clarified that all site visits would now follow the HATS model, but be targeted to participants who are having difficulties. Ms. Simon agreed that it would be a learning year and understood that strategies may have to shift, but expressed concern that the decrease in site visits might not provide sufficient coverage.

Committee members directed USAC management to keep the Committee informed. Mr. Barash expressed his support for the overall direction of the program, commending the staff on working together to create the strategy. He committed to reporting back to the Committee on both what was working as well as components of the strategy that were not as effective.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution. Ms. Campbell voted against adopting the resolution and asked that the minutes reflect her desire to see more output at the programmatic level and her concern regarding the reduced number of workshops, training, etc.

RESOLVED, that the USAC Schools and Libraries Committee, having reviewed USAC management’s recommendation, approves the proposed program-specific USF stakeholder engagement strategy and hereby authorizes USAC management to proceed with plans and commitments for implementation of the proposed activities.

a5. Consideration of Approval to Deny Requests for Priority 2 Services at or Below 83% for Funding Year 2008. Mr. Blackwell 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 Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 83% and below for Funding Year 2008 for lack of funding.

a6. Miscellaneous.

a6.1 Solicit ideas for October 2008 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly
meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant or Mr. Blackwell between quarterly meetings.

a6.2 Dr. Bryant requested an update on the Stakeholder Engagement Strategy. Mr. Barash agreed to provide feedback for discussion at the next meeting and include additional information on the impact on the 2009 budget.

INFORMATION ITEMS:

i1. **Schools and Libraries Support Mechanism Update.** Mr. Blackwell presented this item to the Committee. In his presentation, Mr. Blackwell noted the following:

- As of June 30, USAC had issued funding decisions for 98% of Funding Year 2007 applications with commitments totaling approximately $2.46 billion with approximately $1.44 billion in funding commitments for Priority 1 services.

- USAC released Funding Year 2008 Wave 10 funding commitment decision letters (FCDLs) on June 25, 2008. This wave included commitments for approved Priority 1 requests (telecommunications services and internet access) for schools and libraries at all discount levels. As of June 30, funding commitments total approximately $667.78 million were issued, representing a 46% increase compared to June 30, 2007 when eight commitment waves for approximately $457.64 million were run.

- The Schools and Libraries program operations Oracle database software was successfully upgraded. The upgrade resolves several audit findings and mitigates risks as program information systems management is transitioned to SAIC from Solix. The project was a collaborative effort between USAC, Solix and SAIC requiring rigorous analysis and testing by more than 50 staff.

- The Schools and Libraries program Compliance Support team is responsible for the compiling and producing USAC records for FCC appeals, commitment adjustment (COMAD) referrals, enforcement matters, Freedom of Information Act (FOIA) requests, internal and external audits, litigation discovery, and any other requests for documentation of programmatic activities. Mr. Blackwell estimated that during calendar year 2008 there will be over 4,000 requests for documents, many of them requiring over 100 pages of document production. One of the primary reasons for the increase in document production is the FCC OIG, which has significantly increased its requests from prior years. These projects have required USAC to allocate an additional 26 contractor staff from other areas to support the effort. The current FCC OIG USF audit program document production request is expected to be complete by the end of August, at which time the team anticipates receiving requests for document production for the next round of audits.

- USAC held two one-day training workshops for service providers; the first in Miami on May 8 (170 participants) and the second in Salt Lake City on May 14
(175 participants). The sessions titled "What to Do and How to Do It," covered the application process, electronic notification, eligible services, invoicing, and program compliance—all from the service providers point of view.

- USAC will conduct applicant regional training sessions in September and October. Each training session will last one and one-half days. The following chart lists the tentative dates and locations:

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<th>Cities</th>
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<tr>
<td>Washington, DC</td>
<td>September 11-12</td>
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<tr>
<td>Seattle, WA</td>
<td>September 16-17</td>
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<td>Denver, CO</td>
<td>September 23-24</td>
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<td>Chicago, IL</td>
<td>October 2-3</td>
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<td>Los Angeles, CA</td>
<td>October 15-16</td>
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<td>Atlanta, GA</td>
<td>October 21-22</td>
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- The sessions titled: “What We Do and Why We Do It,” will open with concurrent presentations for beginners and for more advanced program participants. In addition, the session will include presentations from the USAC Internal Audit Division.

- The average time to process an invoice line was six days in May 2008. The invoicing team exceeded the May performance goal with 98.9% of invoice lines processed within 30 days. As of June 16, 2008, the number of invoice line items undergoing manual processing was 1,027. Of those in process, 563 or 55%, were processed within a month of receipt.

- USAC has 160 workable appeals. Appeals are targeted to be processed within 90 days of receipt.


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 confidential internal rules and procedures.

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

**RESOLVED**, that the USAC Schools & Libraries Committee determines that discussion of the Schools and Libraries Support Mechanism carryover process shall be conducted in Executive Session.
i3. **Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** 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 Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in *Executive Session*.

At 10:15 a.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. The Committee then recessed until 10:31 a.m. at which time it reconvened in *Executive Session*.

**EXECUTIVE SESSION:**

i2. **Report on Schools and Libraries Support Mechanism Process for Determining Funds Available for Carryover.** Mr. Belden presented this item to the Committee.

i3. **Update on the Schools and Libraries and Rural Health Care Program Support Services Solicitation.** Mr. Barash presented this item to the Committee.

At 11:18 a.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 Ms. Campbell reported that the Committee discussed items i2 and i3 above in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 11:15 a.m. Eastern Time.

/\s/ David A. Capozzi  

Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

October 27, 2008

MINUTES

The quarterly meeting of the Schools & Libraries Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Monday October 27, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time. Five of seven Committee members were present representing a quorum:

Barash, Scott – Acting CEO
Campbell, Anne – Chair
Jackson, Jimmy

Simon, Phyllis
Talbott, Dr. Brian

Dr. Anne Bryant joined the meeting by telephone at 9:04 a.m. Eastern Time. She did not vote on item a1. Mr. David McClure joined the meeting by telephone at 9:06 a.m. Eastern Time. He did not vote on items a1 or a2.

Board of Directors (Board) and officers of the corporation present:

Capozzi, David – Acting General Counsel and Assistant Secretary
Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Erwin, W. B. – Vice President of Finance and Assistant Treasurer
Holcombe, Jamie – Vice President of Information Systems

Others present for the meeting:

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<th>NAME</th>
<th>COMPANY</th>
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<td>Amalfitano, Vince</td>
<td>FCC – by telephone</td>
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<td>Ayer, Catriona</td>
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ACTION ITEMS:

a1. Approval of Schools & Libraries Committee Meeting Minutes of July 28, 2008. On a motion duly made and seconded, the Committee approved the minutes of the July 28, 2008 meeting.

a2. Approval of 1st Quarter 2009 Schools and Libraries Programmatic Budget and Information on the Estimated 2009 Annual Budget. This item to the Committee, noting that based on the current operational responsibilities and requirements, as expressed in the September 9, 2008 FCC-USAC Memorandum of Understanding (MOU), USAC staff estimates a budget of $108.9 million will be required for Schools and Libraries Support Mechanism programmatic administration in 2009. This budget is approximately $3.3 million (3%) higher than the 2008 budget. The FCC Office of Inspector General (OIG) Universal Service Fund (USF) audit program, with an increase of $17.0 million, is the sole driver of the increase. The budget includes $43.3 million in program administration costs (including costs associated with transition of management of program operations information technology (IT) infrastructure from Solix to SAIC), $61.4 million for the FCC OIG USF audit program, $2.9 million to fund 26 full-time employees (a proposed increase of four from 2008), $0.2 million in professional fees for meeting planner services and IT security assessments, and $1.1 million for travel, training, education, printing and graphics, and miscellaneous administrative and outreach functions. Mr. Belden explained that the major reduction in program administration costs is due to reduced transition costs.

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

RESOLVED, that the USAC Schools & Libraries Committee approves a 1st Quarter 2009 budget for the Schools and Libraries Support Mechanism of $31.8 million.
a3. Approval of 1st Quarter 2009 Schools and Libraries Support Mechanism Demand Projection for the October 31, 2008 FCC Filing. Mr. Blackwell presented this to the Committee, noting that in the table on page 10 of 11 of the issue paper, the first row should state that 3rd Quarter 2008 billings were “higher” rather than “lower” than projected.

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

RESOLVED, that the USAC Schools & Libraries Committee, having reviewed at its meeting on October 27, 2008, a summary of the administrative costs, hereby directs USAC management to proceed with the required October 31, 2008 filing to the FCC on behalf of the Committee. Management may make adjustments if the variance is equal to or less than $10.0 million or may seek approval from the Schools & Libraries Committee Chair to make adjustments if the variance is greater than $10.0 million but no more than $15.0 million.

a4. Action on 44 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports. Mr. Scott introduced this item to the Committee, noting that of the 44 audits, 34 were unqualified and 10 were qualified. Ms. Campbell noted the large variance between the amount of disbursements audited and the cost to perform the audits. Mr. Scott explained that since the sample provided by the OIG is random, there may be little correlation with the disbursement amount audited and the cost of the audit. In addition to the more expensive compliance attestation audit methodology being used, Mr. Scott noted that the cost of an audit would also vary depending on the availability of staff to provide data and answer auditor questions.

Ms. Campbell asked if fewer audit findings would occur if there was more outreach, including more applicant training sessions. Mr. Scott commented that USAC’s experience suggests that the attrition rate among applicant staff is high, which results in a steady influx of new people who may not be familiar with program rules. Thus, although additional outreach and training are undoubtedly useful and desirable, the goal of reducing audit findings solely through education and training may not be realized.

Dr. Talbott expressed concern that recoveries of funds deemed improperly disbursed are typically a small fraction of audit costs, and repeated audits are occurring of the same beneficiaries when prior audits identified no findings. Mr. Barash pointed to the random sampling method utilized by the FCC OIG in selecting beneficiaries to be audited and suggested that the Committee could anticipate similar results in Round 3. Mr. Barash reminded the Committee that the sample is controlled by the FCC OIG, not USAC.
Ms. Campbell asked if the direct cost of the audit firms includes all expenses associated with the audit program. Mr. Belden indicated that the cost did not reflect all USAC costs, noting that USAC’s program support services contractor spent 19,000 hours assembling data for the audits and expenses incurred from this work are not included in reported audit costs. USAC employee time is not included in the reported costs, nor is time and expenses incurred by auditees in responding to auditor requests for information. Mr. Belden agreed to compile a comprehensive picture of total audit costs as soon as possible. Dr. Bryant stated that having this total picture is very important for the FCC and constituents to understand the entire cost burden of the FCC OIG USF audit program.

Addressing questions from the Committee concerning seeing the same audit findings in Round 2 as were seen in Round 1, Mr. Barash explained that while there were lessons learned in Round 1, it takes time for the implemented changes to have an impact on the audit findings. Mr. Barash explained that that the Round 1 audits were not final before the Round 2 audit process began, therefore, improvements that might be gained from outreach and training from Round 1, may not be seen until Round 3.

Mr. McClure suggested the need to be more vocal regarding the inefficiency of some of these audits, anticipating that at some point USAC would be blamed, while in reality, USAC was following the directives of the FCC.

Ms. Simon questioned if the cost of the audits reduced the amount available for the programs. Mr. Belden indicated that for the Schools and Libraries Program the cost of audits reduces the amount of funding available because program administrative expenses, including audit costs, count against the $2.25 billion annual program funding cap. Mr. Belden stated that the High Cost and Low Income Programs do not have such funding caps, and the Rural Health Care Program funding cap of $400 million per year is not likely to be reached even with Pilot Program and FCC OIG USF audit program expenses applied.

Mr. Barash commended the Inspector General for his participation in the Round 3 audit firm training and his statements to the audit firms concerning professional conduct when in the field. Mr. Barash stated that USAC management will be meeting with senior partners from each of the audit firms to discuss expectations and set a professional tone for the Round 3 audits.

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

**RESOLVED**, that the USAC Schools and Libraries Committee having reviewed the 44 Schools and Libraries 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. Consideration of Approval to Make Commitments for Priority 2 Services at a Discount Rate of 88% and Above for Funding Year 2008. Mr. Blackwell 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 Schools & Libraries Committee authorizes staff to commit, upon FCC approval, waves for Funding Year 2008 with the parameters set at 88% and above for Priority 2 services.

a6. Miscellaneous. Solicit Ideas for the January 2009 Committee Agenda. Ms. Campbell reminded members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Ms. Campbell, Dr. Bryant, or Mr. Blackwell between quarterly meetings.

**INFORMATION ITEMS:**

i1. Schools and Libraries Support Mechanism Update. Mr. Blackwell presented this item to the Committee. Noting the completion of the seven city annual applicant regional training, Mr. Blackwell shared samples videos from the training sessions as well as feedback and insights learned. Mr. Blackwell also thanked Dr. Talbott and Ms. Campbell for their attendance at local sessions.

Mr. Blackwell reported that as of September 30, Funding Year 2008 commitments total approximately $1.33 billion. Mr. Blackwell also stated that USAC has issued funding decisions for 99% of Funding Year 2007 applications with commitments totaling approximately $2.54 billion.

Noting the release of the FCC Public Notice (FCC 08-180) requesting comments on the Eligible Services List (ESL), Mr. Blackwell stated that once the FCC approves the ESL, USAC will have 60 days to open the FCC Form 471 filing window for Funding Year 2009. Mr. Blackwell anticipates a late November window opening and February closing.

Regarding site visits, Mr. Blackwell noted that the division would be hiring two additional employees to assist with the Helping Applicants To Succeed (HATS) site visits. Ten prototype visits have been conducted in conjunction with the annual applicant training to minimize travel expenses. Working in cooperation with the USAC External Relations Division, a final model is under development.

Mr. Blackwell stated that USAC has only 89 workable appeals outstanding and that 90% of incoming appeals are completed within 90 days. Dr. Talbott
commented that some appeals from 1998 were still pending and requested the dollar amount involved. Mr. Blackwell noted that some appeals are sent directly to the FCC, although USAC has requested information on those appeals, the data has not been provided by the FCC. Dr. Talbott noted that he would put this on the agenda when the Executive Committee met with the FCC on October 28.

Ms. Simon expressed her appreciation for the work that USAC has been doing helping schools and libraries realize better results in the program. Ms. Simon also noted that the current economic climate may result in increased in participation in the school lunch programs and asked what would be the impact on the Schools and Libraries Program. Mr. Blackwell stated that a possible outcome is increased requests for priority 1 services, which would decrease available funding for Priority 2 services.

i2. Semiannual Status Report on Ongoing USAC Audits. Mr. Scott presented this item to the Committee, noting the 44 audits deemed final by the Committee for Round 2 of the FCC OIG Audit program. Mr. Scott noted that the sample for Round 3 was delivered in early October and Solix has begun compiling the extensive pre-audit data. Mr. Scott indicated that some audits would be announced as early as Thanksgiving.

i3. Semiannual Status Report on Actions Taken on Final USAC Audits. Mr. Scott presented this item to the Committee, noting that for an audit listed in the report, once the audit is closed with no further action outstanding (e.g., funds have been recovered), the audit is not included in the next report. Mr. Scott requested that Committee members provide USAC management with feedback concerning the usefulness and content of the report.

i4. Schools and Libraries and Rural Health Care Program Support Services Solicitation Update. 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 Schools & Libraries Committee determines that discussion of the Schools and Libraries and Rural Health Care program support services solicitation shall be conducted in Executive Session.

At 10:37 a.m., Eastern Time on a motion duly made and seconded, the Committee moved into Executive Session, for the purposes of discussing the confidential and proprietary
time it reconvened in Executive Session.

EXECUTIVE SESSION:

i4. Schools and Libraries and Rural Health Care Program Support Services Solicitation Upda

At 11:03 a.m. Eastern Time, the Committee adjourned from Executive Session and immediately rec

On a motion duly made and seconded, the Committee adjourned at 11:05 a.m. Eastern Time.

/s/ David A. Capozzi Assistant Secretary
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Schools and Libraries Committee Meeting

December 9, 2008

MINUTES

A meeting of the Schools & Libraries Committee (Committee) of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC’s offices in Washington, D.C. on Tuesday, December 9, 2008. Ms. Anne Campbell, Committee Chair, called the meeting to order at 12:01 p.m. Eastern Time. Five of seven Committee members were present representing a quorum.

Bryant, Dr. Anne – Vice Chair – by telephone

Campbell, Anne – Chair – by telephone

Jackson, Jimmy – by telephone

McClure, David – by telephone

Simon, Phyllis – by telephone

Committee members not present:

Bryant, Dr. Anne

McClure, David

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division – by telephone

Capozzi, David – Acting General Counsel and Assistant Secretary
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

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**ACTION ITEMS:**

a1. **Action on 41 Schools and Libraries Support Mechanism Beneficiary Compliance Attestation Audit Reports.** Mr. Scott introduced this item to the Committee, noting that based on feedback from the Board during the October meetings, the audit report packages sent to the Committee only include the report findings and program beneficiary and USAC management responses. Beneficiary assertions and other documents ancillary to the audit are not included in the package, although the beneficiary receives these documents.

Ms. Bryant commented that she considers the high cost of the audits preposterous when compared to the minimal recoveries to be made. Responding to questions from several Committee members, Mr. Scott explained that several audits show a recovery amount of $0 or “TBD” because USAC management as part of its normal audit follow-up process is waiting for additional information it has requested from beneficiaries. Once that information is received, the recovery amount, if any, will be determined. The Committee will be informed of the amounts to be recovered for these audits through the regular USAC Internal Audit Division audit status semiannual reporting process to the Committee and the Board.
On a motion duly made and seconded and after discussion, the Committee adopted the following resolution:

**RESOLVED**, that the USAC Schools and Libraries Committee having reviewed the 41 Schools and Libraries 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.

**a2. Consideration of Approval to Deny Requests for Priority 2 Services At or Below 85% for Funding Year 2008.** 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 Schools & Libraries Committee authorizes staff to deny, upon FCC approval, all funding requests for Priority 2 services at discount percentages of 85% and below for Funding Year 2008 for lack of available funding.

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

/s/ David A. Capozzi

Assistant Secretary