

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda**

<p>Monday, January 30, 2017 1:00 p.m. – 2:15 p.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of October 24, 2016.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p>	5
Chair	a2. Recommendation for Election of Committee Chair and Vice Chair.	5
Wayne	<p>a3. Approval of 2017 Audit Committee Charter.</p> <p style="text-align: center;"><i>Same as aBOD01F</i></p>	15

<u>EXECUTIVE SESSION</u>		
Wayne	<p>a4. Approval of the 2017 Internal Audit Plan - Confidential – <i>Executive Session Recommended.</i></p>	15
Wayne	<p>i1. Business Update – Confidential – <i>Executive Session Recommended.</i></p> <ul style="list-style-type: none"> • Operational Update/ 2016 Results. <ul style="list-style-type: none"> ○ Beneficiary and Contributor Audit Program (BCAP). ○ Payment Quality Assurance (PQA). • 2017 USF Audit Plan. • 2017 Initiatives/Goals. 	35

Next Scheduled USAC Audit Committee Meeting

<p>Monday, April 24, 2017 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

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

AUDIT COMMITTEE MEETING
Monday, January 30, 2017

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, Monday, January 30, 2017. Mr. Gillan, Committee Chair, called the meeting to order at 1:30 p.m. Eastern Time, with three of the four Committee members present (there is one vacancy):

Gillan, Joe – Chair
Talbott, Dr. Brian
Wibberly, Dr. Kathy

Mr. Geoff Feiss jointed the meeting at 1:51 p.m. Eastern Time. He did not vote on or join the discussion of items a1, a2, a3, and a4.

Other Board members and officers of the corporation present:

Bocher, Bob – Member of the Board
Buzacott, Alan – Member of the Board
Davis, Craig – Vice President of Schools & Libraries and Acting Vice President of Rural Health Care
Fontana, Brent – Member of the Board
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Lifeline
Hayes, Kate – Vice President of Stakeholder Engagement
Henderson, Chris – Chief Executive Officer
Hernandez, Dr. Mike – Member of the Board
Poulin, Chera – Vice President of People, Culture and Change
Robinson, Vickie - Vice President, General Counsel and Assistant Secretary
Salvator, Charles – Vice President and Chief Financial Officer
Scott, Wayne – Vice President of Internal Audit
Shah, Hemang, Vice President of Strategy and Change Management
Sweeney, Mark – Chief Operating Officer
Taylor, Peter – Vice President of Information Technology and Chief Information Officer
Tinic, Atilla – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Berkland, Kristin	Bradley Berkland Hagen & Herbst

<u>NAME</u>	<u>COMPANY</u>
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Hughet, Pamela	USAC
King, Lauren	USAC
Lear, Kathleen	Maximus
McNeff, Kristina	USAC
Miles, Lisa	Maximus
Nuzzo, Patsy	USAC
Smith, Chris	USAC
Zielaski, Daniel	USAC

OPEN SESSION

a1. Consent Items.

A. Approval of Committee meeting minutes of October 24, 2016.

B. Approval for discussing in *Executive Session* agenda item:

- (1) a4 – Approval of the 2017 Internal Audit Plan. USAC management recommends 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.
- (2) i1 – Business Update. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to USAC's *procurement strategy and contract administration, pre-decisional matters pending before the FCC, and may also include discussion of personnel matters and attorney/client privileged communications*.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of October 24, 2016; and

RESOLVED FURTHER, that the USAC Audit Committee approves the discussion in *Executive Session* of the 2017 Internal Audit Plan and the general business update.

a2. Recommendation for Election of Committee Chair and Vice Chair. Dr. Wibberly 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 Audit Committee recommends that the USAC Board of Directors elect **Joseph Gillan** as Chair and **Geoff Feiss** as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or is no longer a member of the Board.

- a3. Approval of 2017 Audit Committee Charter.** Mr. Scott 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 Board of Directors, having reviewed the current Audit Committee Charter and the proposed change presented by the USAC Internal Audit Division, hereby accepts the recommendation of the Audit Committee and approves the revised Audit Committee Charter.

RESOLVED, that the USAC Audit Committee, having reviewed the current Audit Committee Charter and the proposed change presented by the USAC Internal Audit Division, recommends that the USAC Board of Directors approve the revised Audit Committee Charter.

At 1:35 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- a4. Approval of the 2017 Internal Audit Plan.** Mr. Scott 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 Audit Committee approves the 2017 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

- ii. Business Update.** Mr. Scott introduced this item to the Committee.
- Operational Update/ 2016 Results.
 - Beneficiary and Contributor Audit Plans.
 - Corporate Assurance.
 - 2017 USF Audit Plan.

To expedite navigation, please use the bookmarks located in the Navigation Pane.

- 2017 Initiatives/Goals.

At 2:21 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee took action on a4 and discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 2:21 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda**

<p>Monday, April 24, 2017 8:30 a.m. – 9:30 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <ul style="list-style-type: none"> A. Approval of Audit Committee Meeting Minutes of January 30, 2017 B. Approval of Moving all <i>Executive Session</i> Items into <i>Executive Session</i>. C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations. D. Review of the Integrity of USAC’s Financial Reporting Process. 	5
Wayne	<p>i1. Business Update</p> <ul style="list-style-type: none"> • Operational Update. <ul style="list-style-type: none"> ○ Beneficiary and Contributor Audit Plans. ○ Payment Quality Assurance. ○ Corporate Assurance. • Post Audit Surveys. • Strategic Initiatives. <ul style="list-style-type: none"> ○ Data Driven Audits. ○ 2017 Program Integrity Dashboard. 	40

<u>EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>i2. Executive Session with USAC’s Vice President of Internal Audit – Confidential – <i>Executive Session Recommended</i>.</p>	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, July 24, 2017 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

AUDIT COMMITTEE MEETING
Monday, April 24, 2017

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, April 24, 2017. At the request of Mr. Gillan, Committee Chair, Mr. Feiss, Vice Chair, called the meeting to order at 8:30 a.m. Eastern Time, with all five of the Committee members present:

Feiss, Geoff
Gillan, Joe – Chair – *by telephone*
Talbott, Dr. Brian
Tinic, Atilla
Wibberly, Dr. Kathy – *by telephone*

Other Board members and officers of the corporation present:

Bocher, Bob – Member of the Board
Choroser, Beth – Member of the Board
Hayes, Kate – Vice President of Stakeholder Engagement
Henderson, Chris – Chief Executive Officer
Hernandez, Mike – Member of the Board
Kinser, Cynthia – Member of the Board
Lee, Karen – Vice President of Rural Health Care
Robinson, Vickie – Vice President, General Counsel and Assistant Secretary
Salvator, Charles – Vice President, Chief Financial Officer and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Sweeney, Mark – Chief Operating Officer
Taylor, Peter – Vice President of Information Technology and Chief Information Officer
Wein, Olivia – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Fischer, Dennis	USAC

<u>NAME</u>	<u>COMPANY</u>
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Gsell, Leah	USAC
Hughet, Pamela	USAC
King, Lauren	USAC
Lutz, Corey	USAC
Lutz, Kevin	USAC
Mattey, Carol	Mattey Consulting
Miller, Arielle	USAC
Nuzzo, Patsy	USAC
Schecker, Laurence	USAC
Voth, Cara	FCC

OPEN SESSION

a1. Consent Items. Mr. Feiss presented these items to the Committee.

A. Approval of Committee meeting minutes of January 30, 2017.

B. Approval for discussing in *Executive Session* agenda item:

- (1) i2 – Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be discussed in Executive Session consistent with the requirements of the Audit Committee Charter that the Committee meet annually with the Vice President of Internal Audit in Executive Session.

C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.

D. Review of the Integrity of USAC’s Financial Reporting Processes.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of January 30 2017, and *Executive Session* with USAC’s Vice President of Internal Audit; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the USAC Internal Audit Division’s assessment that USAC’s processes are in compliance with applicable laws and regulations; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the Internal Audit Division’s review and assessment of USAC’s financial reporting processes.

i1. Business Update. Mr. Scott introduced this item to the Committee.

- Operational Update.
 - Beneficiary and Contributor Audit Plans.
 - Payment Quality Assurance.
 - Corporate Assurance.
- Post Audit Surveys.
- Strategic Initiatives
 - Data Driven Audits.
 - 2017 Program Integrity Dashboard.

At 9:10 a.m. Eastern Time, on a motion duly made and seconded, with only members of the Board and Mr. Scott present, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

i2. Executive Session with USAC's Vice President of Internal Audit. Mr. Scott presented this item for discussion.

At 9:55 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that in *Executive Session*, the Committee discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 9:55 a.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Tuesday, May 2, 2017

MINUTES

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Tuesday, May 2, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 11:02 a.m. Eastern Time, with three of the five Committee members present:

Gillan, Joe – Chair – *by telephone*
Talbot, Dr. Brian – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Mr. Geoff Feiss, Vice Chair, joined the call by telephone at 11:19 a.m. Eastern Time.

Members of the Committee not present:

Tinic, Atilla

Other Board members and officers of the corporation present:

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

NAME
None

COMPANY
Not applicable

OPEN SESSION

- i1. Update Regarding Ongoing Audits and Procurement Matters.** Mr. Gillan recommended that discussion of this item be conducted in *Executive Session* because this matter 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 and after discussion, the Board adopted the following resolution:

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 11:05 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Update Regarding Ongoing Audit and Procurement Matters.** Mr. Gillan discussed the status of the Audit Committee's role in ongoing audits and the planning for an audit of USAC's procurement process. Mr. Scott responded to various questions regarding audit and other observations noted with existing USAC procurements. Mr. Talbot also provided a status on the expansion of USAC's office space.

At 11:58 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i1. On a motion duly made and seconded, the Committee adjourned at 12:00 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Friday, June 9, 2017

MINUTES

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Friday, June 9, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 11:03 a.m. Eastern Time, with four of the five Committee members present:

Gillan, Joe – Chair – *by telephone*
Talbot, Dr. Brian – *by telephone*

Tinic, Atilla – *by telephone*
Wibberly, Dr. Kathy – *by telephone*

Mr. Geoff Feiss, Vice Chair, joined the call by telephone at 11:05 a.m. Eastern Time.

Other Board members and officers of the corporation present:

Scott, Wayne – Vice President of Internal Audit
Robinson, Vickie – USAC Acting CEO, General Counsel, and Assistant Secretary
(joined at 11:20am)

Others present for the meeting:

NAME
None

COMPANY
Not applicable

OPEN SESSION

- i1. Update Regarding Ongoing Audits and Procurement Matters.** Mr. Gillan recommended that discussion of this item be conducted in *Executive Session* because this matter 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 and after discussion, the Board adopted the following resolution:

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 11:06 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Update Regarding Ongoing Audit and Procurement Matters.** Mr. Gillan discussed the status of the Audit Committee's role with respect to USAC's external financial audit and planning for an audit of USAC's procurement process. Mr. Scott responded to various questions regarding the audit and other observations noted with existing USAC procurements. Ms. Robinson also provided an update on various meetings with the Federal Communications Commission (FCC) and Congressional staff.

At 11:26 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i1. On a motion duly made and seconded, the Committee adjourned at 11:30 a.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Friday, June 23, 2017

MINUTES

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Friday, June 23, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 11:02 a. m. Eastern Time, with three of the five Committee members present:

Feiss, Geoff – Vice Chair – *by telephone*
Gillan, Joe – Chair – *by telephone*
Wibberly, Dr. Kathy – *by telephone*

Mr. Atilla Tinic join the call by telephone at 11:11 a.m. and Dr. Brian Talbot joined the call by telephone at 11:15 a .m. Eastern Time.

Other Board members and officers of the corporation present:

Scott, Wayne – Vice President of Internal Audit

OPEN SESSION

- i1. **Update Regarding Ongoing Audit and Procurement Matters.** Mr. Gillan recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration, internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC.*

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 11:03 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Update Regarding Ongoing Audit and Procurement Matters.** Mr. Gillan provided a brief discussion on the status of the annual financial audit and Agreed-Upon Procedures (AUP) review performed by PricewaterhouseCoopers LLP. Mr. Scott provided a status of the Procurement Process Request for Proposal with the Committee. Also, Mr. Scott briefed the Committee on an analysis completed by the Finance Division of cost and expenses related to the Schools and Libraries E-rate Productivity Center system. The Committee will be provided with a review of this analysis at the next Audit Committee Meeting.

At 11:17 a. m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i1. On a motion duly made and seconded, the Committee adjourned at 11:18 a. m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Friday, June 30, 2017

MINUTES

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Friday, June 30, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 11:04 a.m. Eastern Time, with three of the five Committee members present:

Gillan, Joe – Chair – *by telephone*
Talbot, Dr. Brian – *by telephone*
Wibberly, Dr. Kathy – *by telephone*

Mr. Geoff Feiss joined the call by telephone at 11:30 a.m. Eastern Time. He participated in the discussion.

Members of the Committee not present:

Tinic, Atilla

Other Board members and officers of the corporation present:

Scott, Wayne – Vice President of Internal Audit
Robinson, Vickie – Acting Chief Executive Officer, General Counsel and
Assistant Secretary
Salvator, Charlie – Vice President, Chief Financial Officer and Assistant
Treasurer

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Dennis Fischer	USAC

OPEN SESSION

- i1. Update Regarding Procurement Matters.** Mr. Gillan recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration, internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC.*

To expedite navigation, please use the bookmarks located in the Navigation Pane.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 11:07 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Update Regarding Procurement Matters.** Mr. Salvator introduced this item by providing some background on a recent procurement analysis prepare by his team to the Committee for discussion. Mr. Dennis Fischer, Manager of Financial Planning and Analysis, presented the procurement analysis performed on spending related to E-rate Productivity system and responded to questions. The Committee requested that a similar presentation is shared with the USAC Board of Directors at the July quarterly meeting.

At 11:57 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i1.

On a motion duly made and seconded, the Committee adjourned at 11:58 a.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda**

<p>Monday, July 24, 2017 8:00 a.m. – 10:00 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
--

<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of April 24, 2017, May 2, 2017 and June 9, 2017, June 23, 2017, and June 30, 2017.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p>	5
Wayne	<p>i1. USAC Internal Audit Division Business Update.</p>	30

<u>EXECUTIVE SESSION</u>		
Wayne	<p>a2. Acceptance of USAC’s 2016 Annual Financial Audit and Agreed-Upon Procedures Review – Confidential – <i>Executive Session Recommended.</i></p> <p style="text-align: center;"><i>Same as iBOD02cf</i></p>	15
Wayne	<p>a3. Action on Five USAC Internal Audit Division Operational Audit Reports – Confidential – <i>Executive Session Recommended.</i></p> <p style="text-align: center;"><i>Same as aEC03cf</i></p>	20
Wayne	<p>i2. Audit Committee Executive Session with USAC’s Independent Audit Firm – PricewaterhouseCoopers LLP – Confidential – <i>Executive Session Recommended.</i></p>	20
Wayne	<p>i3. Annual Executive Session with USAC’s Vice President of Internal Audit – Confidential – <i>Executive Session Recommended.</i></p>	30

Next Scheduled USAC Audit Committee Meeting

<p>Monday, October 23, 2017 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

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

AUDIT COMMITTEE MEETING
Monday, July 24, 2017

MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, July 24, 2017. Mr. Gillan, Committee Chair, called the meeting to order at 8:03 a.m. Eastern Time, with all five of the Committee members present:

Feiss, Geoff
Gillan, Joe – Chair
Talbott, Dr. Brian
Tinic, Atilla
Wibberly, Dr. Kathy

Other Board members and officers of the corporation present:

Bocher, Bob – Member of the Board
Davis, Craig – Vice President of Schools & Libraries
Kinser, Cynthia – Member of the Board
Lee, Karen – Vice President of Rural Health Care
Poulin, Chera – Vice President and Chief Human Resources Officer
Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Shah, Hemang – Vice President of Enterprise Portfolio Management
Sweeney, Mark – Chief Operating Officer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC
Delmar, Teleshia	USAC
Doane, Nathan	PricewaterhouseCoopers

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language where necessary or to correct grammatical or spelling errors.

<u>NAME</u>	<u>COMPANY</u>
Fischer, Dennis	USAC
Francisco, Dale	USAC
Goode, Vernell	USAC
Hughet, Pamela	USAC
King, Lauren	USAC
Leonard, Tom	PricewaterhouseCoopers
Litman, Travis	FCC
Lutz, Corey	USAC
Lutz, Kevin	USAC
Mitchell, Steve	USAC
Murray, Sheila	USAC
Nuzzo, Patsy	USAC
Smith, Chris	USAC
Tuinstra, Jason	PricewaterhouseCoopers

OPEN SESSION

a1. Consent Items. Mr. Gillan presented these items to the Committee.

A. Approval of Committee meeting minutes of April 24, 2017, May 2, 2017, June 9, 2017, June 23, 2017, and June 30, 2017.

B. Approval for discussing in *Executive Session* agenda item:

- (1) **a2** – Acceptance of USAC’s 2016 Annual Financial Audit and Agreed-Upon Procedures Review. USAC management recommends that this matter be discussed in *Executive Session* because this report includes *confidential company data*. *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.*
- (2) **a3** – Action on Four USAC Internal Audit Division Operational Audit Reports. USAC management recommends that this matter be discussed in *Executive Session* because these reports relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (3) **i2** – Audit Committee Executive Session with USAC’s Independent Audit Firm. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.
- (4) **i3** – Annual Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be discussed in Executive Session consistent with the requirements of the Audit Committee Charter that the Committee meet annually with the Vice President of Internal Audit in *Executive Session*.

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

To expedite navigation, please use the bookmarks located in the Navigation Pane.

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of April 24, 2017, May 2, 2017, June 9, 2017, June 23, 2017, and June 30, 2017, and discussion in *Executive Session* of the Audit Committee Executive Session with USAC's Independent Audit Firm, and the Annual Executive Session with USAC's Vice President of Internal Audit.

- i1. USAC Internal Audit Division Business Update.** Mr. Scott introduced this item to the Committee. He provided an update on the status of audit activities performed under the Beneficiary and Contributor Audit Program (BCAP), the Payment Quality Assurance (PQA) Program, and USAC Corporate Assurance audits. This update also included the Internal Audit Division's (IAD) observations after comparing random audit plans with risk-based audit plans.

At 8:19 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

In the interest of meeting flow, the Committee modified the order of items to be discussed. The Committee discussed items in the following order: Item a3, a2, i2, then i3.

- a3. Action on Five USAC Internal Audit Division Operational Audit Reports.** Mr. Scott presented this time for consideration.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division (IAD) operational audit reports as listed in Exhibit I to this briefing paper, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the reports final.

- a2. Acceptance of USAC's 2016 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott introduced PricewaterhouseCoopers LLP (PwC) to present this item for consideration.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC 2016 Financial Audit Report as submitted by PricewaterhouseCoopers LLP, hereby deems the report final; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC 2016 Agreed-Upon Procedures Review

To expedite navigation, please use the bookmarks located in the Navigation Pane.

Report as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

At 8:37 a.m. Eastern Time, the meeting continued in *Executive Session* with only PwC, members of the Board, Ms. Robinson, Mr. Salvator, and Mr. Scott present for the purpose of discussing item i2.

i2. Audit Committee Executive Session with USAC's Independent Audit Firm – PricewaterhouseCoopers LLP. Mr. Scott and representatives of PwC discussed this item with the Committee.

The meeting continued in *Executive Session* with only members of the Board and Mr. Scott present for the purpose of discussing item i3.

i3. Annual Executive Session with USAC's Vice President of Internal Audit. Mr. Scott and the Audit Committee discussed this item.

At 9:52 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i2 and i3.

On a motion duly made and seconded, the Committee adjourned at 9:52 a.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Wednesday, September 6, 2017

MINUTES¹

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Wednesday, September 6, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 4:32 p.m. Eastern Time, with three of the five Committee members present:

Gillan, Joe – Chair – *by telephone*
Tinic, Atilla – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Members of the Committee not present:

Feiss, Geoff – Vice Chair
Talbott, Dr. Brian

Other Board members and officers of the corporation present:

Kinser, Cynthia – Member of the Board – *by telephone*
Poulin, Chera – Vice President and Chief Human Resources Officer
Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Sweeney, Mark – Chief Operating Officer
Wein, Olivia – Member of the Board – *by telephone*

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
King, Lauren	USAC
Nuzzo, Patsy	USAC

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language where necessary or to correct grammatical or spelling errors.

OPEN SESSION

- a1. Consideration of a Contract Award for Procurement Process Audit and Compensation Audit.** Ms. Robinson recommended that discussion of this item be conducted *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 4:33 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. Consideration of a Contract Award for Procurement Process Audit and Compensation Audit.** Mr. Scott presented this item for consideration, noting that the procurement process audit will include a review of documentation and evaluation of all processes and internal controls related to procurement activities. The compensation audit will cover compensation policies, procedures and practices for officers and employees of the company, including traditional and non-traditional employees.

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

RESOLVED, that the USAC Audit Committee, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to Crowe Horwath LLP for a not-to-exceed total cost of \$175,000 plus applicable sales taxes.

At 4:49 p.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee took action on item a1. On a motion duly made and seconded, the Committee adjourned at 4:49 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

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

AUDIT COMMITTEE MEETING
Friday, September 22, 2017

MINUTES¹

A meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Friday, September 22, 2017. Mr. Joe Gillan, Committee Chair, called the meeting to order at 11:08 a.m. Eastern Time, with three of the five Committee members present:

Feiss, Geoff – Vice Chair – *by telephone*
Gillan, Joe – Chair – *by telephone*
Talbot, Dr. Brian – *by telephone*

Members of the Committee not present:

Tinic, Atilla
Wibberly, Dr. Kathy

Other Board members and officers of the corporation present:

Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary
Scott, Wayne – Vice President of Internal Audit

Others present:

<u>NAME</u>	<u>COMPANY</u>
Jarnice Anderson	USAC
Mark Maraccini	Crowe Horwath

OPEN SESSION

- i1. Update Regarding Procurement and Compensation Audits.** Ms. Robinson recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract*

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language where necessary or to correct grammatical or spelling errors.

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administration, internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee discussing this item in *Executive Session*.

At 11:10 a.m. Eastern Time, the Committee moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- i1. Update Regarding Procurement and Compensation Audit.** Mr. Scott introduced the item to the Committee for discussion by introducing Mr. Mark Maraccini from the audit firm of Crowe Horwath, who led the discussion regarding the audits. Mr. Maraccini discussed the audit objectives and the proposed audit scope. He then began asking questions of the various Committee members and Ms. Robinson to obtain feedback to plan for the audits.

At 12:00 p.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i1. On a motion duly made and seconded, the Committee adjourned at 12:01 p.m. Eastern Time.

/s/ Vickie Robinson
Assistant Secretary

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda**

<p>Monday, October 23, 2017 8:00 a.m. – 9:30 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <ul style="list-style-type: none"> A. Approval of Audit Committee Meeting Minutes of July 24, 2017, September 6, 2017 and September 22, 2017. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>. C. Acceptance of the Annual Assessment by the USAC Internal Audit Division of the Independence and Financial Literacy of USAC Audit Committee Members. D. Annual Review of the Effectiveness of the Company’s Process for Assessing Significant Risks and Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures. E. Annual Review of the Adequacy of USAC’s System of Internal Controls by the USAC Internal Audit Division. 	10

<u>EXECUTIVE SESSION</u>		
Wayne	<p>i1. USAC Internal Audit Division Business Update – Confidential – <i>Executive Session Recommended</i></p> <ul style="list-style-type: none"> • General Business Update. • Review of Improper Payment Rates. • Update on Procurement Process and Compensation Audits. 	40
Wayne	<p>a2. Annual Review of the Internal Audit Charter; the Organizational Structure, Budget, and Activities of the Internal Audit Division; and Significant Changes to the Internal Audit Plan – Confidential – <i>Executive Session Recommended</i>.</p>	15
Jarnice	<p>a3. Action on Two USAC Internal Audit Division Operational Audit Reports - Confidential – <i>Executive Session Recommended</i>.</p>	10
Wayne	<p>i2. Executive Session with USAC’s Vice President of Internal Audit – Confidential – <i>Executive Session Recommended</i>.</p>	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, January 29, 2018</p>
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8:00 a.m. – 9:30 a.m.
USAC Offices, Washington, D.C.

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

AUDIT COMMITTEE MEETING
Monday, October 23, 2017

MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, October 23, 2017. Mr. Gillan, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with four of the five Committee members present:

Feiss, Geoff – Vice Chair
Gillan, Joe – Chair
Talbott, Dr. Brian
Tinic, Atilla

Members of the Committee not present:

Wibberly, Dr. Kathy

Other Board members and officers of the corporation present:

Bocher, Bob – Member of the Board
Garber, Michelle – Vice President of Lifeline
Kinser, Cynthia – Member of the Board
Lee, Karen – Vice President of Rural Health Care
Robinson, Vickie – Acting Chief Executive Officer, General Counsel and Assistant Secretary
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Sweeney, Mark – Chief Operating Officer
Wein, Olivia – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Braxton-Johnson, Kianna	USAC
Beckford, Ernesto	USAC
Carpenter, Nikki-Blair	USAC

¹ Draft resolutions were presented to the Committee prior to the Committee meeting. Where appropriate, non-substantive changes have been made to the resolutions set forth herein to clarify language where necessary or to correct grammatical or spelling errors.

<u>NAME</u>	<u>COMPANY</u>
Crowe, Jennifer	USAC
Delmar, Teleshia	USAC
Gonzalez, Veronica	USAC
Goode, Vernell	USAC
Guinan, Gabriela Gross	USAC
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Joiner, Chelsea	USAC
Kimi, AJ	USAC
Lechter, Jonathan	FCC
Leonard, Tom	PricewaterhouseCoopers
Lutz, Corey	USAC
Maraccini, Mark	Crowe Horwath LLP
Nuzzo, Patsy	USAC
Tawes, Pauline	USAC
Tuinstra, Jason	PricewaterhouseCoopers

OPEN SESSION

a1. Consent Items. Mr. Gillan presented these items to the Committee.

A. Approval of Committee meeting minutes of July 24, 2017, September 6, 2017 and September 22, 2017.

B. Approval for discussing in *Executive Session* agenda items:

- (1) **i1** – USAC Internal Audit Division Business Update. USAC management recommends that this item be discussed in *Executive Session* because this matter relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (2) **a2** – Annual Review of the Internal Audit Charter, the Organizational Structure, Budget, and Activities of the Internal Audit Division; and Significant Changes to the Internal Audit Plan. USAC management recommends that this matter be discussed in *Executive Session* because the basis to support the changes relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (3) **a3** – Action on Two USAC Internal Audit Division Operational Audit Reports. USAC management recommends that this matter be discussed in Executive Session because these reports relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (4) **i2** – Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be

discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

- C. Acceptance of the Annual Assessment by the USAC Internal Audit Division of the Independence and Financial Literacy of USAC Audit Committee Members.

In accordance with USAC's Audit Committee Charter (Charter), the Committee is required to assess the independence and financial literacy of its members to ensure the Committee can adequately fulfill its roles and responsibilities.

- D. Annual Review of the Effectiveness of the Company's Process for Assessing Significant Risks and Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures.

In accordance with the Charter, the Committee is required to annually review the effectiveness of USAC's process for assessing significant risks and exposures (collectively, risks), and the steps management has taken to minimize such risks. Management presented an issue paper documenting the review performed by USAC's Internal Audit Division (IAD), and discussing the process by which risks are assessed and managed. Based on its review, IAD has concluded that management has established and maintains an effective process for assessing significant risks and taking steps to minimize such risks. IAD recommends that the Committee accept its review and associated conclusion.

- E. Annual Review of the Adequacy of USAC's System of Internal Controls. At the request of Mr. Gillan, this item was moved to *Executive Session*. Ms. Robinson recommended that this matter be discussed in *Executive Session* because these reports relate 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 and after discussion, the Committee adopted the following resolution:

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of July 24, 2017, September 6, 2017 and September 22, 2017 and discussion in *Executive Session* of the items noted above (including the Annual Review of the Adequacy of USAC's System of Internal Controls);

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RESOLVED FURTHER, that the USAC Audit Committee accepts the assessment made by the USAC Internal Audit Division and agrees that the Audit Committee is adequately staffed with independent members and has a sufficient level of financial expertise; and

RESOLVED FURTHER, that the USAC Audit Committee accepts the USAC Internal Audit Division's review of the effectiveness of the Company's process for assessing significant risks and exposures, and the steps management has taken to minimize such risks and exposures; and

At 8:03 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- i1. USAC Internal Audit Division Business Update.** Mr. Scott, Ms. Carpenter, Director of Internal Audit, and Ms. Tawes, Manager of Internal Audit, presented an update on the status of audit activities performed under the Beneficiary and Contributor Audit Program (BCAP), the Payment Quality Assurance (PQA) Program's improper payment results, and USAC Corporate Assurance audits. Mr. Leonard and Mr. Tuinstra of PricewaterhouseCoopers reported on their audit plan for USAC's financial statements for the year ending December 31, 2017 and Agreed Upon audits.

- a3. Action on Two USAC Internal Audit Division Operational Audit Reports.** Ms. Anderson presented these items for consideration. The audits pertained to the National Verifier Project Management process and an audit of Tribal Mobility Fund Phase 1. USAC's Internal Audit Division (IAD) provided a briefing paper.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division (IAD) operational audit reports as listed in Exhibit I of IAD's briefing paper, accepts the recommendations of USAC management and hereby deems the reports final.

- a1 E. Annual Review of the Adequacy of USAC's System of Internal Controls.** Mr. Gillan recommended that this action item be tabled and moved to the January 2018 quarterly meeting. Therefore, no action was taken on this item.

At 8:48 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board, Ms. Robinson, and Mr. Scott present for the purpose of discussing item a2.

- a2. Annual Review of the Internal Audit Charter; the Organizational Structure, Budget, and Activities of the Internal Audit Division; and Significant**

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Changes to the Internal Audit Plan. Mr. Scott presented this item for consideration. Changes to the Internal Audit Charter were discussed to improve the overall independence of Internal Audit and governance structure.

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

RESOLVED, that the USAC Audit Committee, having reviewed the proposed Internal Audit Charter, as presented by USAC Internal Audit Division staff, approves the recommended changes to the Internal Audit Charter.

At 9:15 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Committee, Mr. Maraccini, of Crowe Horwath, Mr. Scott, and Ms. Anderson, Director of Internal Audit present for the purpose of continuing to discuss item a2.

At 9:25 a.m. Eastern time, the meeting continued in *Executive Session* with only members of the Committee and Mr. Scott present.

i2. Annual Executive Session with USAC's Vice President of Internal Audit. Mr. Scott and the Audit Committee discussed this item.

At 9:34 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i1 and i2. Mr. Gillan noted that item a1 – E was tabled and would be considered at the January 2018 quarterly Audit Committee meeting.

On a motion duly made and seconded, the Committee adjourned at 9:34 a.m. Eastern Time.

/s/ Ellis Jacobs
Secretary