Universal Service Administrative Co.

Audit Committee Meeting

Briefing Book

Monday, July 23, 2018

8:00 a.m. - 9:30 a.m. Eastern Time

Universal Service Administrative Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

Universal Service Administrative Company
Audit Committee Quarterly Meeting
Agenda

Monday, July 23, 2018 **8:00 a.m. – 9:30 a.m. Eastern Time** **USAC Offices** **700 12th Street, N.W., Suite 900** **Washington, D.C. 20005**

	OPEN SESSION	*Estimated Duration in Minutes*

Chair	**a1.** Consent Items (each available for discussion upon request):
	    A. Approval of Audit Committee Meeting Minutes of April 23, 2018.
	    B. Approval of moving all *Executive Session* items into *Executive Session*.
		5

Wayne	**i1.** USAC Internal Audit Division Business Update.	20

	EXECUTIVE SESSION	
Wayne	**i2.** USAC Internal Audit Division Business Update. (*Continued*)	
Wayne	**a2.** Acceptance of USAC's 2017 Annual Financial Audit and Agreed-Upon Procedures Review – **Confidential** – *Executive Session Recommended*. *Same as Item 3BODIcf*	20
Wayne	**a3.** Consideration of Contract Amendment for Procurement and Compensation Audits– *Executive Session Recommended*.	10
Wayne	**i3.** Audit Committee Executive Session with USAC's Independent Audit Firm – PricewaterhouseCoopers LLP **– Confidential – *Executive Session Recommended*.**	15

Next Scheduled USAC Audit Committee Meeting

Monday, October 29, 2018 **8:00 a.m. – 9:30 a.m.** **USAC Offices, Washington, D.C.**

1 of 1

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

AUDIT COMMITTEE MEETING
Monday, April 23, 2018

(DRAFT) MINUTES[1]

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 23, 2018. Mr. Feiss, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with four of the five Committee members present.

Choroser, Beth	Gillan, Joe
Feiss, Geoff – Chair	Wibberly, Dr. Kathy

Members of the Committee not present:

Tinic, Atilla – Vice Chair

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel and Assistant Secretary
Beyerhelm Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Davis, Craig – Vice President of Procurement and Strategic Sourcing
Garber, Michelle – Vice President of Lifeline
Holstein, Bob – Vice President and Chief Information Officer
Kinser, Cynthia – Member of the Board – *by telephone*
Lee, Karen – Vice President of Rural Health Care
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant
    Treasurer
Scott, Wayne – Vice President of Internal Audit
Sekar, Radha – Chief Executive Officer
Sweeney, Mark – Chief Administrative Officer
Wein, Olivia – Member of the Board

Others present:

NAME	**COMPANY**
Anderson, Jarnice	USAC

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[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.

NAME	COMPANY
Anderson, Latoya	USAC
Augustino, Steve	Kelley Drye & Warren LLP
Ayer, Catriona	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Daniels, Joel	USAC
Desrocher, Michael	USAC
Goode, Vernell	USAC
Haus, Allen	Avitecture
Hughet, Pamela	USAC
King, Lauren	USAC
Lear, Kathleen	Maximus
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Tawes, Pauline	USAC
Tomlin, Nicole	USAC

OPEN SESSION

All materials from Open Session can be found on the USAC website.

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

    A. Approval of Committee meeting minutes of January 29, 2018.

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

        (1) **a2** – Approval of the 2018 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.

        (2) **a3** – Action on Three USAC Internal Audit Division Operational Audit Reports. USAC management recommends that this matter be discussed in Executive Session because these reports relate to s*pecific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.

        (3) **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. Review of USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

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

        RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of January 29, 2018; and (2) discussion in *Executive Session* of the items noted above; 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.

i1.   **USAC Internal Audit Division Business Update.** Mr. Scott presented this item to the Committee for discussion. Mr. Scott provided an update on the Beneficiary and Contributor Audit Program (BCAP) and Payment Quality Assurance (PQA) audits.

At 8:33 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 (*Continued*).** Mr. Scott continued his report and provided an overview of risks identified in the FY2016 BCAP audits and the corrective action plans for the FY2017 BCAP audits.

a2.   **Consideration of the 2018 USAC Internal Audit Plan.** Mr. Scott presented this item to the Committee for consideration, noting that the 2018 USAC Internal Audit Plan is divided between audits within the USF and audits of USAC's enterprise functions. The Plan also includes internal control validations of key business processes to mitigate any potential risks.

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

        RESOLVED, that the USAC Audit Committee approves the 2018 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

a3.   **Action on Three USAC Internal Audit Division Operational Audit Reports.** Ms. Jarnice Anderson presented this item to the Committee for consideration. She reported on the review of USAC operations that pertained to the High Cost Division and a pre-implementation review of the National Verifier in the Low Income Division.

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 listed in Exhibit I and included as Attachments A through C to item aAC03cf 042318 in the Audit Briefing Book – Audit Reports, accepts the recommendations of USAC management and hereby deems the reports final.

At 9:25 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board and Mr. Scott present for the purpose of discussing item i2.

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

At 9:49 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 took action on items a2 and a3 and discussed items i1 and i2.

On a motion duly made and seconded, the Committee adjourned at 9:50 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

Universal Service Administrative Company
Audit Committee Meeting

ACTION ITEM

Consent Items

Action Requested

The Audit Committee (Committee) is requested to approve the consent items listed below.

Discussion

The Committee is requested to approve the following items using the consent resolutions below:

    A. Approval of Committee meeting minutes of April 23, 2018 (*see* **Attachment A**).

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

        (1) **i2. –** USAC Internal Audit Division Business Update Continued. USAC management recommends that this matter be discussed in Executive Session because this matter relates to USAC's **internal personnel matters.**

        (2) **a2** – Acceptance of USAC's 2017 Annual Financial Audit and Agreed-Upon Procedures Review. 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** – Consideration of Contract Amendment for Procurement and Compensation Audits. USAC management recommends that this matter be discussed in Executive Session because this matter relates to USAC's **procurement strategy and contract administration**.

        (4) **i3** – 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.

Upon request of a Committee member any one or more of the above items are available for discussion by the Committee.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of April 23, 2018; and (2) discussion in *Executive Session* of the items noted above.

Universal Service Administrative Company
Audit Committee Meeting

INFORMATION ITEM

USAC Internal Audit Division Business Update

Information Presented

This information paper provides an update on the status of audits conducted by the USAC Internal Audit Division (IAD) and audit activities managed by IAD staff. Audit activities reported in this paper include the Beneficiary and Contributor Audit Program (BCAP), the USAC Payment Quality Assurance (PQA) Program, and USAC audits of company operations referred to as Corporate Assurance.

Beneficiary and Contributor Audit Program (BCAP)

Audits occurring under BCAP are performed using USAC IAD internal staff and outside audit firms that either: (i) work under USAC IAD supervision in co-source arrangement (staff augmentation) arrangement or (ii) perform audits outside of USAC IAD direct supervision. The audit plans summarized below were developed in coordination with the Federal Communications Commission (FCC) Office of Managing Director (OMD) and, more recently, with the FCC Wireline Competition Bureau (WCB).

BCAP Audits

As a reminder, in mid-2013 IAD and FCC OMD staff began discussions on the development of an audit plan that would address fiscal years 2014 and 2015 (audits announced beginning October 1, 2013 through September 30, 2015). This audit plan was developed by selecting entities at random with the goal of concentrating on entities receiving larger federal Universal Service Fund (USF) disbursements.

In early 2015, USAC IAD, in consultation with the FCC OMD and the WCB, jointly developed a new audit program methodology that is designed to focus audit resources on USF participants with the highest risk of noncompliance with FCC rules. Starting with the 2016 audit plan and all subsequent plans, these audit plans are now centered on the following key principles:

- Detect and deter noncompliance;
- Promote and enhance compliance;
- Reduce burden on lower risk carriers; and
- Advance the audit selection process and procedures.

USF participants selected for audit after October 1, 2015, were selected using the risk-based principles noted above. Each year, USAC IAD, OMD, and WCB will meet to discuss updates to the risk methodologies and to make updates to audit procedures and sampling plans.

The combined status of all audits underway from each plan is summarized in the table below.

Audit Plan		Audit Status				Total Audits
Program	Audit Goal	Announced	Fieldwork	Reporting	Final Report Released	
CR	**101**	0	11	3	69	**83**
HC	**186**	0	28	6	117	**151**
LI	**159**	0	20	18	114	**152**
SL	279	6	34	20	204	264
RHC	59	1	2	4	48	55
Total	784	7	95	51	552	705

BCAP Audits – Connect America Fund

In 1Q2017, USAC IAD began performing audits of the fund components created as a result of various High Cost orders. The objective of these audits is to independently confirm whether High Cost disbursements are accurate and in alignment with the associated FCC requirements. We are performing follow up audits for previously completed Connect America Fund audits. Specifically, we are conducting follow up audits of the following:

- High Cost Operational Review
- Mobility Phase 1
- Broadband Portal (HUBB)
- Connect America Fund Phase 1, Round 1 – Incremental Support

BCAP Audit Plan Business Updates

Each month the Committee is provided with a report summarizing key activities and accomplishments within the division for the month. The report is summarized by each of the key lines of business within the division (BCAP, PQA, Corporate Assurance, and Special Interest). Committee members generally respond with questions at the time of distribution. If the Committee wishes to discuss any of the items included in the monthly reports, they may do so at this meeting.

At the April 2018 quarterly meeting, the Committee requested to receive an update on the results of the post-audit surveys. That information has been compiled and is included as **Attachment A** to this briefing paper.

Payment Quality Assurance (PQA) Program

The PQA Program collects information from program beneficiaries for the purpose of verifying the accuracy of program disbursements requested and received by beneficiaries. PQA also assists the FCC in meeting its reporting obligations under the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).[1] The PQA team performs payment verification on randomly selected beneficiaries over a calendar year. Testing calendar year 2017 payments began mid 4Q2017.

The table below provides the number of payments tested for calendar year 2017 (January – December).

PQA 2018 Testing
(Calendar Disbursements 2017)

Program	Sample Size	Cases Completed	% Complete	Cases In Progress
High Cost	309	297	96%	12
Lifeline	365	329	90%	36
Schools & Libraries	443	262	59%	181
Total	**1117**	**888**	**79%**	**229**

Testing is nearly complete and all testing will be completed by August 31, 2018. Results will be shared with the Committee upon completion of the analysis by the statistician at the October 2018 quarterly meeting.

Corporate Audits

Financial Audits

1. *Independent Audit of USAC's 2017 Financial Statements and Agreed-Upon Procedures Review*. As required by 47 C.F.R. § 54.717, a financial statement audit must be conducted by an independent accounting firm to express an opinion on USAC's financial statements as of December 31, 2017. PricewaterhouseCoopers LLP (PwC) has completed testing and timely filed draft audit reports with the FCC as required by the rules. The audit is complete and the final report is presented under agenda item *aAC02 072318*.

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[1] *See* The Improper Payments Elimination and Recovery Act of 2012, Pub L. No. 112 -248 (Jan. 10, 2013).

Operational Audits and Reviews

1. *USAC Procurement Process Audit*. USAC engaged the audit firm of Crowe Horwath LLP (Crowe Horwath) to perform an audit of USAC's procurement process. The objective of the audit was to audit documentation and evaluate all related processes and internal controls, including all procurement activities from the request for services through payment of invoices for products and services. The objective of this audit is to assess the policies, procedures and related controls associated with the vendor management process. Specifically, our assessment addressed:

    - Vendor on-boarding / off-boarding;
    - Alignment of vendor activity with contract requirements;
    - Management oversight of vendor performance / service level agreements;
    - Contract change management practices;
    - Cost management / resource management practices;
    - Vendor access to USAC systems / data; and
    - Vendor compliance with applicable USAC policies (including Ethics and Information Security policies).

    Management is reviewing the draft audit report and will prepare a management response, including management's corrective actions.

2. *USAC Compensation Audit.* In addition to the procurement audit, Crowe Horwath has also performed an audit of USAC's compensation policies and procedures. The audit objective was to audit USAC's compensation policies, procedures and practices for officers and employees of the company, including both traditional and non-traditional employees, associated with the activities reflected below.

    - The audit was conducted pursuant to the Code of Federal Regulations (CFR) § 54.715 (b), and the Executive Schedule of United States Code (U.S.C.) Title 5, section 5312, as applicable.
    - Assessment of the policies, procedures, and practices used to determine the annual rate of pay for officers and employees (traditional and non-traditional), including:
        o Non-regular payments;
        o Bonuses (e.g., cash, stock certificates, or other non-cash negotiable instruments);
        o Severance (final compensation) payments/benefits;
        o Retirement payments; and
        o Other sources of monetary or non-monetary compensation not specifically excluded under the CFR § 54.715 (b).
    - Assessment of the policies, procedures and practices used in the hiring, onboarding, promotion, and termination of officers and employees (traditional and non-traditional).

Management is reviewing the draft audit report and will prepare a management response, including management's corrective actions.

3. *Information Technology Audits/Reviews.* The following limited scope audit was announced in 4Q2017:

- IAD has completed the limited scope audit of Malware and Anti-Virus Protection processes for USAC's enterprise systems. The purpose of this limited scope audit was to assess the related processes and controls in place to adequately manage the risk posed by malicious programs that could compromise the confidentiality, integrity, or availability of USAC's enterprise systems. As a result of our procedures, IAD noted that the configuration settings to identify SPAM within inbound and outbound emails were not fully established. IT management took immediate action to address this issue.

Consultative Activities

1. *Enterprise A-123 Compliance Activities*

- Finance - IAD has completed its independent walk-throughs and detailed testing of the USF Financial Reporting, Fixed Assets, and USAC Financial Reporting processes to assess compliance with A-123 requirements. The purpose of our procedures was to confirm our understanding of the related business processes, assess the design of the associated controls, and to perform testing of key controls as designated by management within the previously-mentioned business areas. Testing activities were focused on controls classified as Medium to High risk as determined through the risk assessment process. As a result of our procedures, findings were noted within areas listed below. Management took immediate steps to develop corrective action plans with completion dates. A key findings summary is provided below:

  o Relevant policies and procedures were outdated;
  o Quarterly user access reviews were not performed for Billing Net or for files / folders stored in SharePoint and Documentum, which are used in the financial reporting process; and,
  o Procedures and related controls which support the fixed assets management process within Facilities and IT were not sufficiently effective.

- Rural Healthcare (RHC) - IAD has completed its independent walk-throughs, identified and confirmed key controls with RHC management, and has assessed the key controls design. Testing of key controls is complete and is under management review. Recommendations are under development for key controls with design deficiencies, as well as those which are determined to be ineffective based on testing results. Testing activities are focused on controls classified as

Medium to High risk.

- Schools and Libraries (SL) – IAD is in the planning phase of its A-123 compliance activities for this very complex operation. Through IAD's participation in the Program Integrity Assurance Reviewer training, greater insight into SL's processes and related controls, both manual and automated, is being obtained as part of our planning activities. The kick-off meeting will be held before the end of July. Once the kick-off meeting is held, IAD will leverage existing documentation and independent walkthroughs with SL management to develop a sound understanding of SL's business processes, and to identify related key controls. Subsequently, IAD will coordinate with management to determine which key controls are designed, operational, and ready to be tested for effectiveness, as well as those controls for which the design is being refined or developed, and therefore not ready for further testing.

Audit Committee Meeting

iAC01 Attachment A
Internal Audit Business Update

Universal Service
Administrative Co.

Agenda

Topic	Description
Beneficiary and Contributor Audit Program (BCAP)	• Status of ongoing audits • Post audit surveys
Payment Quality Assurance (PQA)	• Payment testing status
Corporate Assurance	• Annual Financial Audit and Agreed-Upon Procedures • A-123 Testing • Follow up audit status
Executive Session	
Employee Engagement	• Goals and accomplishments

BENEFICIARY AND CONTRIBUTOR AUDIT PROGRAM (BCAP)

Audit Plan		Audit Status				Total Audits
Program	Audit Goal	Announced	Fieldwork	Reporting	Final Report Released	
CR	**101**	0	11	3	69	**83**
HC	**186**	0	28	6	117	**151**
LI	**159**	0	20	18	114	**152**
SL	**279**	6	34	20	204	**264**
RHC	**59**	1	2	4	48	**55**
Total	**784**	**7**	**95**	**51**	**552**	**705**

Key Takeaways:

- Five audits from the 2014/2015 remain underway (4 High Cost; 1 Rural Health Care)

- Divisional reorganization

  - Working aggressively to close out older audits

  - Developed a plan to close a significant number of audits by 12/31/2018

- Forensic Audits will be announced shortly

3

BCAP - POST AUDIT SURVEY BACKGROUND

- The post audit survey was revised in early 2016 to obtain more specific information.

- Survey reflects audits performed outside audit firms and IAD.

  - 81% outsource firms; 19% IAD.

- Survey response rate is 63% since February 2016.

- Survey categories:

  - Professionalism

  - Communications

  - USAC Outreach methods

  - Helpfulness avoid common audit findings

- Surveys are sent to primary points of audit contact.

- Survey responses are returned within 5.1 full business days.

- Reminders are sent 5 days after the initial request.

BCAP POST AUDIT SURVEY

Professionalism

- Highest –*Demonstrated high degree of professionalism at all times, 9.5.*

- Lowest – *Knowledge and understanding of FCC rules and requirements, 8.7.*

Communications

- Highest – *Responsiveness to questions about the audit, 9.1.*

- Lowest – *Provided information during the audit to enhance understanding of FCC rules, 8.1.*

Outreach Methods

- Surveys analyzed between entities with 0 – 1 audit findings and entities with 2 or more audit findings

  - USAC website and one-on-one assistance consistently rated high.

  - Overall, Outreach has been steadily improving over time.

  - There is a clear separation in recent responses between entities with 0-1 findings and entities with no findings. This is true across all types of Outreach. Notable examples below:

Outreach Method	0-1 Findings	2+ Findings	Delta
Videos/Online Tutorials	9.5	6.5	3.0
Newsletters	9.0	6.1	2.9
Webinars	9.7	6.9	2.8
Email Contact	9.3	7.0	2.3

Post Audit Feedback Survey: Auditor Professionalism

Survey Responses from February 2016 – June 2018

Category	Highest/Lowest Question	Contributor	High Cost	Lifeline	Schools and Libraries	Rural Health Care	All
Professionalism	**Highest**: Demonstrated Professionalism	9.9	9.6	9.6	9.3	9.1	**9.5**
Professionalism	**Lowest**: Knowledge and Understanding of FCC Rules and Requirements	8.6	8.9	9.0	8.3	8.1	**8.7**
Communications	**Highest**: Audit Team promptly responded to questions	9.4	9.4	9.1	8.8	8.7	**9.1**
Communications	**Lowest**: Audit team enhanced my knowledge of FCC rules	8.6	8.4	7.8	7.8	7.8	**8.1**

	CR	HC	LI	SL	RH	All
# of Audits for which a Survey was sent	55	71	70	138	22	356
Audits with 1 or more Responses	25	48	43	89	11	216
Response Rate	45%	68%	61%	64%	50%	61%

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AVOIDING COMMON FINDINGS

Program Integrity Enhancements

- The process for developing corrective action plans for common audit findings was revised to focus on USF participant success, *aka Circle of Life.*

- All programs and contributors revised USAC website content in late 2016 to assist program participants in difficult areas.

- Cross-functional reviews by various USAC divisions are performed to evaluate plan sufficiency and annual reporting to the FCC.

- Post audit surveys beginning in February 2017 ask questions to rate web content to avoid common findings.

Results

- The score below represents the effectiveness of the information USAC provides to avoid common findings.

	CR	HC	LI	SL	RHC	All
Common Finding Responses	17	19	26	27	2	91
Average Rating (Score 1-10)	7.0	7.3	7.8	6.8	7.2	7.2

PAYMENT QUALITY ASSURANCE

Program	Sample Size	Cases Completed	% Complete	Cases In Progress
High Cost	309	297	96%	12
Lifeline	365	329	90%	36
Schools & Libraries	443	262	59%	181
Total	**1117**	**888**	**79%**	**229**

Key Takeaways:

- Testing calendar year 2017 disbursements.

- All testing is on track for completion by August 31, 2018.

- As of today, High Cost and Lifeline results will likely be similar to prior years.

- In Schools and Libraries, we are seeing an increase with invoicing, equipment delivery and installation errors.

- Results will be sent to the FCC for inclusion in their Agency Financial Report for the period ending September 30, 2018.

CORPORATE ASSURANCE

Annual Financial Statement and Agreed-Upon Procedures Audit:

- PricewaterhouseCoopers (PwC) has completed the audits for the period ending December 31, 2017.

- Final reports presented under agenda item *aAC02.*

A-123 Internal Controls Testing:

- USF Financial Reporting, Fixed Assets, and USAC Financial Reporting – Completed.

- Rural Health Care – Drafting report.

- Schools and Libraries – Planning activity underway.

Follow Up Audit Activity:

- Conducting audits of the previously completed audits in the Connect America Fund.

    ‣ High Cost Operational Review

    ‣ Mobility Phase 1

    ‣ Broadband Portal

    ‣ Connect America Fund Phase 1 Round 1 – Incremental Support

Information Technology Review – Malware and Anti-Virus Protection:

- Recommended control improvements with SPAM detection for inbound and outbound were not fully established.

APPENDIX

POST AUDIT SURVEY DETAILS

Post Audit Feedback Survey: Auditor Professionalism

Survey Responses from February 2016 – June 2018

Legend: ☐ Contributors   ■ High Cost   ■ Lifeline   ■ Schools and Libraries   ■ Rural Health Care

Professionalism (categories, top to bottom):
- The audit team had knowledge and understanding of FCC rules and requirements
- The audit team demonstrated professionalism at all times
- The audit team thoroughly and clearly explained the results of the audit
- The audit team thoroughly and clearly responded to my questions
- The audit team thoroughly and clearly explained any outstanding items required to complete the audit
- The written findings presented for my response were clear and easy to understand

(X-axis scale: 1 to 10)
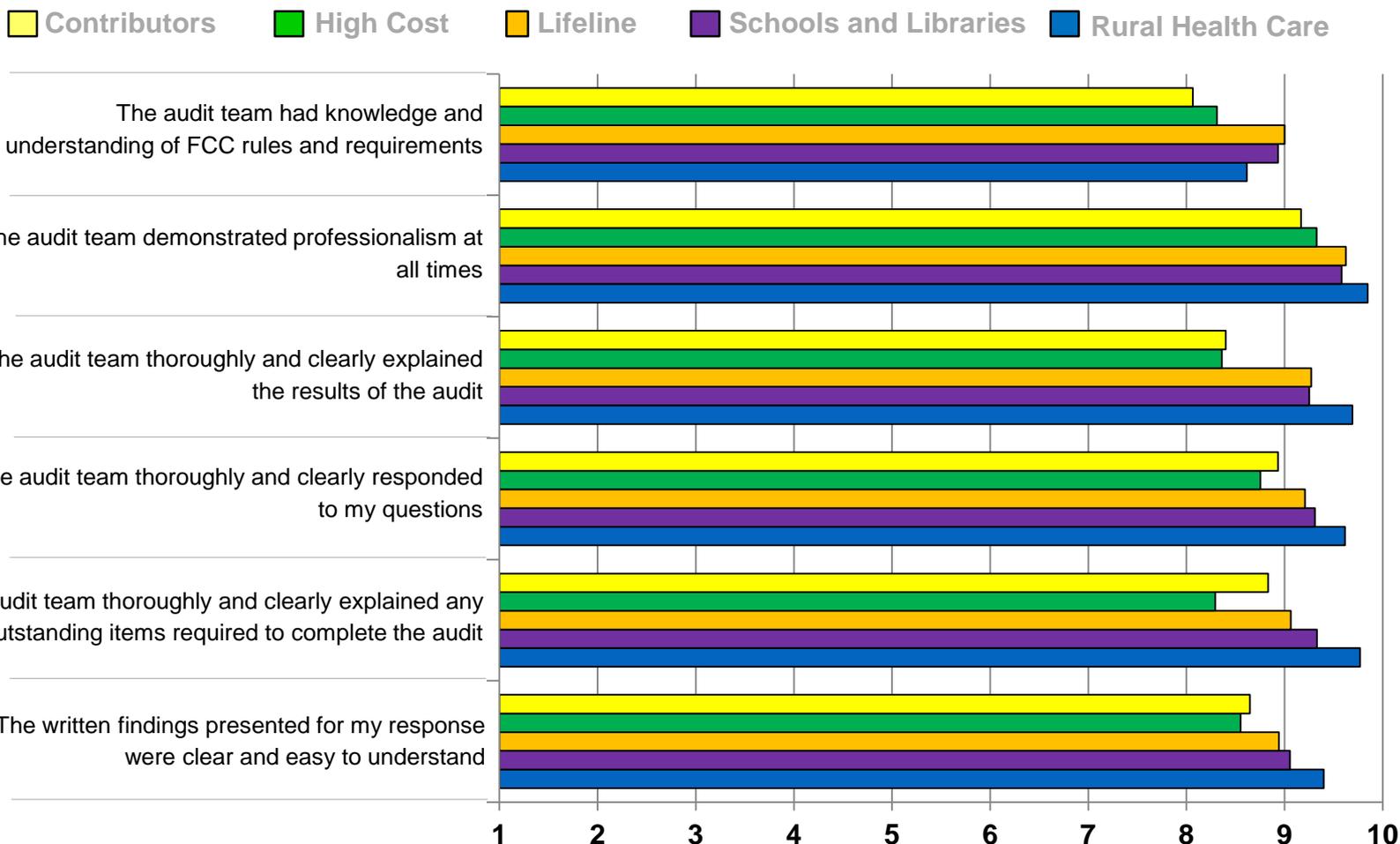
	CR	HC	LI	SL	RH	All
# of Audits for which a Survey was sent	55	71	70	138	22	356
Audits with 1 or more Responses	25	48	43	89	11	216
Response Rate	45%	68%	61%	64%	50%	61%

Post Audit Feedback Survey: Auditor Communication

All Survey Responses from February 2016 – June 2018

Communication

Legend: ☐ Contributors ■ High Cost ■ Lifeline ■ Schools and Libraries ■ Rural Health Care

Categories (top to bottom):
- The audit team adequately explained the purpose and necessity of requested documentation
- The audit team exchanged information in an effective manner
- The audit team promptly responded to my questions about the audit
- The audit team kept me informed about the status of the audit throughout the audit.
- The audit team provided information during the audit to enhance my knowledge of FCC rules
- The audit results were communicated in a timely manner
- The audit team's review and USAC's Board approval process was clearly explained
- The entrance conference was an effective form of communication
- The exit conference was an effective form of communication

	CR	HC	LI	SL	RH	All
# of Audits for which a Survey was sent	26	51	43	110	18	248
Audits with 1 or more Responses	9	39	27	73	9	157
Response Rate	35%	76%	63%	66%	50%	63%

Post Audit Feedback Survey: USAC Outreach
0-1 Audit Findings

Legend: Contributors | High Cost | Lifeline | Schools and Libraries | Rural Health Care

Y-axis: Outreach Method — USAC Website, Email Contact, Videos/Online Tutorials, Webinars, Toll-Free Support, One-On-One Assistance, Newsletters, Conference Calls

X-axis: 1 to 10

Note: A new format was adopted 4/15/2017 for Outreach questions

	CR	HC	LI	SL	RHC	All
0-1 Findings	0	4	8	9	2	23
2+ Findings	17	5	10	8	0	40
All Responses	17	9	18	17	2	63

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Post Audit Feedback Survey: USAC Outreach
2+ Findings

Outreach Method (vertical axis)
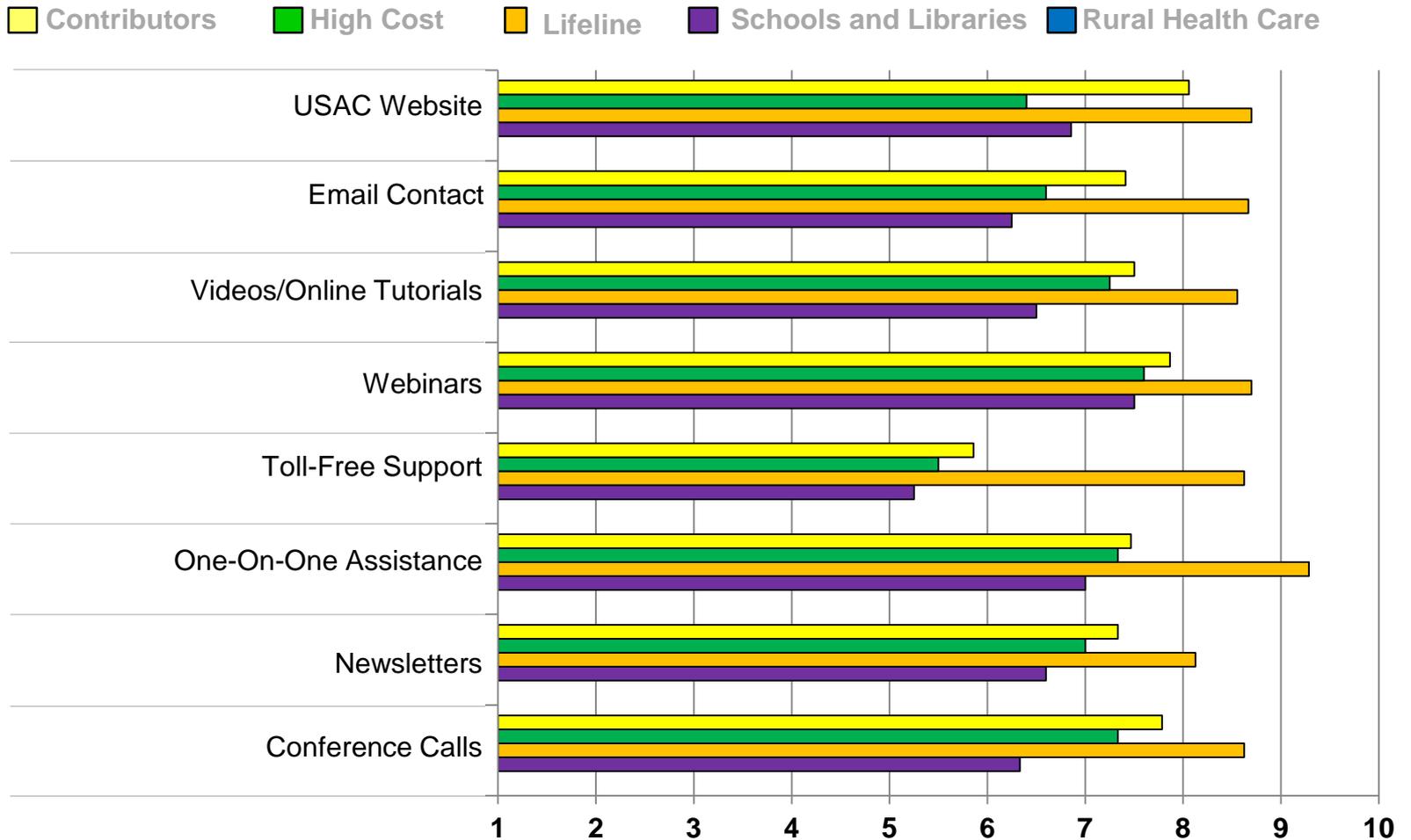
Legend: □ Contributors ■ High Cost ■ Lifeline ■ Schools and Libraries ■ Rural Health Care

Categories (top to bottom): USAC Website, Email Contact, Videos/Online Tutorials, Webinars, Toll-Free Support, One-On-One Assistance, Newsletters, Conference Calls

Horizontal axis: 1 2 3 4 5 6 7 8 9 10

Note: A new format was adopted 4/15/2017 for Outreach questions

	CR	HC	LI	SL	RHC	All
0-1 Findings	0	4	8	9	2	23
2+ Findings	17	5	10	8	0	40
All Responses	17	9	18	17	2	63

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COMMON FINDINGS – CONTRIBUTOR REVENUE
All Survey Responses from February 2017– June 2018

Common Finding	Random Plans	Risk Based Plans
Customer Category – End User Vs. Reseller	8.0	7.4
Toll Service Revenues	8.0	7.0
Fixed Local Service Revenues	8.0	7.0
Non-Telecommunications and Information Service Revenues	8.0	7.0
Private Line Revenues	8.0	6.9
Average Score	**8.0***	**7.1***

Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings.

Total Responses	CR	HC	LI	SL	RHC	All
Random Plans	1	5	2	0	1	9
Risk Based Plans	16	14	24	27	1	82
Total	17	19	26	27	2	91

COMMON FINDINGS – HIGH COST
All Survey Responses from February 2017– June 2018

Common Finding	Random Plans	Risk Based Plans
47 C.F.R. § 64.901 - Improper Inclusion of Non-Regulated Amounts	5.8	7.9
47 C.F.R. § 54.202(e) - Lack of/Inadequate Documentation	6.0	8.0
47 C.F.R. § 32.27 - Improper Affiliate Transactions	6.0	7.7
47 C.F.R. § 54.202(e) - Inaccurate Data (reported amount does not agree to supporting documentation)	6.0	7.6
47 C.F.R. § 64.901 - Improper Allocation Methodology	6.0	7.5
Average Score	**6.0***	**7.7***

Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings.

Total Responses	CR	HC	LI	SL	RHC	All
Random Plans	1	5	2	0	1	9
Risk Based Plans	16	14	24	27	1	82
Total	17	19	26	27	2	91

Briefing book excludes all materials discussed in Executive Session

COMMON FINDINGS – LIFELINE
All Survey Responses from February 2017– June 2018

Common Finding	Random Plans	Risk Based Plans
47 C.F.R. § 54.417(a) - Lack of/Inadequate Documentation	9.5	7.4
47 C.F.R. § 54.400(g) - Duplicate addresses (same subscribers) and/or telephone numbers	9.5	7.6
47 C.F.R. § 54.407(a) - Inaccurate Form 497 Reporting	9.5	7.8
47 C.F.R. §§ 54.410(d) & 54.410(f)(2)(iii) - Improper Certification and/or Recertification Documentation Disclosures	9.5	7.8
47 C.F.R. § 54.403(a)(1)(2) - Improper Lifeline Discount Amount	9.5	7.7
Average Score	**9.5***	**7.7***

Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings.

Total Responses	CR	HC	LI	SL	RHC	All
Random Plans	1	5	2	0	1	9
Risk Based Plans	16	14	24	27	1	82
Total	17	19	26	27	2	91

COMMON FINDINGS – SCHOOLS AND LIBRARIES
All Survey Responses from February 2017– June 2018

Common Finding	Random Plans**	Risk-Based Plans
Service Provider or Beneficiary Over-Invoiced SLP - Beneficiary Over-Invoiced SLP for Ineligible Services and Equipment	N/A	7.0
Lack of or Inadequate Documentation - Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471	N/A	6.4
Beneficiary Did Not Pay Non-Discounted Share - Untimely Payments to Service Provider	N/A	7.1
Inadequate Discount Calculation Process - Documentation Did Not Support Figures in Block 4 of the FCC Form 471	N/A	6.6
Invalid Contract	N/A	7.1
Average Score	**N/A**	**6.8***

Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings.

*** There were no survey results from the random based plans that covered the common findings from the Feb '17 to Jun '18 time period*

Total Responses	CR	HC	LI	SL	RHC	All
Random Plans	1	5	2	0	1	9
Risk Based Plans	16	14	24	27	1	82
Total	17	19	26	27	2	91

COMMON FINDINGS – RURAL HEALTH CARE
All Survey Responses from February 2017– June 2018

Common Finding	Random Plans	Risk Based Plans
Pilot Program Selection Order, 22 FCC Rcd at 20415, ¶ 104 - Service Provider Involvement in Beneficiary's Competitive Bidding Process	10.0	9.0
47 C.F.R. § 54.601(a) - Entity Ineligible for RHCP Support	10.0	9.0
47 C.F.R. § 54.615(c)(4) - Services Not Used Solely for the Provision of Health Care	10.0	3.0
Pilot Program Selection Order,22 FCC Rcd at 20399, ¶ 76 - Beneficiary Did Not Apportion Ineligible Costs for Services Delivered to Ineligible Site	10.0	5.0
47 C.F.R. § 54.619(a) - Lack of Documentation	1.0	5.0
Average Score	**8.2***	**6.2***

Score represents the effectiveness of the information USAC provides to the carrier to avoid the common findings.

Total Responses	CR	HC	LI	SL	RHC	All
Random Plans	1	5	2	0	1	9
Risk Based Plans	16	14	24	27	1	82
Total	17	19	26	27	2	91