

Briefing book excludes all materials discussed in Executive Session.



Board of Directors

Briefing Book

Tuesday, January 28, 2020

8:30 a.m. - 2:00 p.m. Eastern Time

Universal Service Administrative Company

700 12th Street, N.W., Suite 900

Washington, D.C. 20005

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

<p>Tuesday, January 28, 2020 8:30 a.m. – 2:00 p.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 Board of Directors Meeting Minutes of October 29, 2019, December 9, 2019, December 23, 2019, and January 2, 2020</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> Items into <i>Executive Session</i></p> <p style="padding-left: 20px;">C. Approval of April 2021- January 2022 Board of Directors Quarterly Meeting Schedule</p> <p style="padding-left: 20px;">D. Approval of the 2020 Audit Committee Charter. (<i>Same as aAC01C</i>)</p> <p style="padding-left: 20px;">E. Resolution Honoring Board Members Whose Service on the Board Has Recently Ended</p>	10
Chair	<p>a2. Annual Election of Committee At-Large Seats, Chairs and Vice Chairs and Election of Appointment of Corporate Officers</p>	10
Chair	<p>a3. Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee</p>	15
Pam	<p>a4. Approval of USAC Common and Consolidated 2nd Quarter 2020 Budgets for the January 31, 2020 FCC Filing</p>	10
Stephen	<p>ii. Enterprise Business Updates</p> <p style="padding-left: 20px;">A. Shared Services</p> <ul style="list-style-type: none"> • USAC 2019 Annual Report Timeline 	10
Radha Kyle	<p style="padding-left: 20px;">B. CEO Update</p> <ul style="list-style-type: none"> • October 2019 Board and Committee Recaps • 2019 Major Accomplishments • 2020 Major Initiatives • Information Technology Update 	40

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Radha Vic	i1. Enterprise Business Updates (<i>Continued</i>) B. CEO Update (<i>Continued</i>) <ul style="list-style-type: none"> • Protecting the Communications Supply Chain Order 	15
Chris	C. Enterprise Risk Management <ul style="list-style-type: none"> • Q4 2019 Update • Risk Management Council Minutes 	20
Craig	D. Procurement <ul style="list-style-type: none"> • Procurement Business Update • Competition Advocate Annual Report 	10
Charlie	E. Information on Contribution Factor	15
Charlie	a5. Approval of 2020 Annual USAC Common and Consolidated Budgets	20
Jen Crowe	i2. Information on One UASC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports	5
Tamika	i3. Personnel Matter – Human Resource Business Update <ul style="list-style-type: none"> • 2019 Accomplishments • 2019 HR Metrics • Employee Engagement 	20
Ernesto	a6. Review of Statement of Ethical Conduct and Annual Disclosure Form for USAC Board Members	15
Ernesto	a7. Board Member Annual Training Module on Confidentiality and Acknowledgement of Confidentiality Agreement	15
Tamika	a8. Personnel Matter – Compensation Items	20
12:00 p.m.	i4. <i>Executive Session – Personnel Matter – Board Only– (Lunch)</i>	60

Next USAC Board of Directors Meeting

Tuesday, April 28, 2020
8:30 a.m. – 2:00 p.m. Eastern Time
USAC Offices, Washington, D.C.

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

ACTION ITEM

Consent Items

Action Requested

The USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

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

- A. Board meeting minutes of October 29, 2019, December 9, 2019, December 23, 2019, and January 2, 2020 (*see Attachments A-1 through A-4*).
- B. Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **ii** – Enterprise Business Updates (*Continued*).
 - **B.** CEO Business Update (*Continued*).
 - **1.** Protecting the Communications Supply Chain Order. USAC management recommends that this item be discussed in *Executive Session* because it relates to *pre-decisional matters pending before the FCC* and may include discussion of USAC's *internal rules and procedures* concerning the administration of the universal service support mechanisms.
 - **C.** Enterprise Risk Management Update. USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls or confidential company data*, and *internal rules and procedures* concerning the administration of the universal service support mechanisms; discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
 - **D.** Procurement Updates. USAC management recommends that the following items be discussed in *Executive Session* because they relate to USAC's *procurement strategy and contract administration*:
 - **1.** Procurement Business Update.
 - **2.** Competition Advocate Annual Report.
 - **E.** Information on Contribution Factor. USAC management recommends that this matter be discussed in *Executive Session*

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because it relates to *internal controls /or confidential company data*, and may also include *pre-decisional matters pending before the FCC*. *In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.*

- (2) **a5** – Approval of 2020 Annual USAC Common and Consolidated Budgets. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC’s *procurement strategy and contract administration*.
- (3) **i2** – Information on One USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Report. USAC management recommends that this item be discussed in *Executive Session* because it relates to *internal controls or confidential company data* and would constitute a discussion of internal rules and procedures. *In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential.*
- (4) **i3** – Personnel Matter – Human Resource Business Update. USAC management recommends that discussion of this item occur in *Executive Session* because it involves *confidential company data* and *personnel matters*.
- (5) **a6** – Review of Statement of Ethical Conduct and Annual Disclosure Form for USAC Board Members. USAC management recommends that this item be discussed in *Executive Session* because it relates to matters subject to *attorney/client privilege*.
- (6) **a7** – Board Member Annual Training Module on Confidentiality and Acknowledgement of Confidentiality Agreement. USAC management recommends that this item be discussed in *Executive Session* because it may involve discussion of matters subject to *attorney/client privilege*.
- (7) **a8** – Personnel Matter – Compensation Items. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.
- (8) **i4** – Executive Session with Board Only (Lunch) – **Personnel Matter**. USAC management recommends that this item be discussed in *Executive Session* because it involves *internal personnel matters*.

C. Approval of April 2021 – January 2022 Board of Directors Quarterly Meeting Schedule (*see Attachment C*).

D. Approval the 2020 Audit Committee Charter (*see Attachments D1and D2*).

E. Resolution Honoring a Board Member Whose Service on the Board Has Recently Ended. The Board would like to recognize and honor Robert Bocher, Cynthia Kinser, and Joel Lubin, whose terms have recently concluded. Robert Bocher served as a Board member from November 2015 through December 2019, Cynthia Kinser served as a Board member from January 2016 through December 2019, and Joel Lubin served as a Board member from January 2001 through December 2019. In addition Mr. Lubin also served as the Chair and Vice Chair of the USAC Board of Directors. The USAC Board and USAC management are

extremely appreciative of their dedication to universal service as well as their leadership and guidance in USAC's administration of the federal Universal Service Fund.

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

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of October 29, 2019, December 9, 2019, December 23, 2019, and January 2, 2020; and (2) discussion in *Executive Session* of the items noted above; and

RESOLVED FURTHER, that the USAC Board of Directors adopts the Board of Directors and committee quarterly meetings schedule for April 2021 through January 2022; and

RESOLVED FURTHER, that the USAC Board of Directors, having reviewed the existing Audit Committee Charter, hereby accepts the recommendation of the Audit Committee and approves the current Audit Committee Charter without revision.

RESOLVED FURTHER, that the USAC Board of Directors hereby expresses its sincere appreciation to Robert Bocher, Cynthia Kinser, and Joel Lubin for their dedicated service on the Board of Directors of the Universal Service Administrative Company, and wishes the best in their future endeavors.

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

BOARD OF DIRECTORS MEETING
Tuesday, October 29, 2019

(DRAFT) MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Tuesday, October 29, 2019. Mr. Joel Lubin, Board Chair, called the meeting to order at 8:33 a.m. Eastern Time, with a quorum of 16 of the 19 Board members present:

Bocher, Robert	Jacobs, Ellis - <i>by telephone</i>
Buzacott, Alan	Kinser, Cynthia
Choroser, Beth	Lubin, Joel – Chair
Domenech, Dr. Dan	Mason, Ken – Treasurer
Feiss, Geoff	Schell, Julie Tritt
Freeman, Sarah	Sekar, Radha – Chief Executive Officer
Gerst, Matthew	Wade, Dr. Joan
Gillan, Joe – Vice Chair	Wibberly, Dr. Kathy

Ms. Olivia Wein, Board Secretary, joined the meeting at 8:52 a.m. Eastern Time. She did not vote on items a1.

Members of the Board not present:

Fontana, Brent
Tinic, Atilla

Officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Davis, Craig – Vice President of Procurement and Sourcing Strategy
Delmar, Teleshia – Vice President of Audit and Assurance
Gaither, Victor – Vice President of High Cost
Garber, Michelle – Vice President of Lifeline
Hutchinson, Kyle – Vice President and Chief Information Officer
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and
Assistant Treasurer

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

Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Adkins, Sean	USAC
Bean, Peter	USAC
Bliss, Edward	USAC
Butler, Stephen	USAC
Calhoun, Mitchell	USAC
Alfred, Kraynal	USAC
Crowe, Jen	USAC
D'Aguiar, J'amie	USAC
Dankoff, Carrie	USAC
Fitzpatrick, Leo	Free Press
Gidley, Susan	USAC
Goode, Vernell	USAC
Gustafson, Jaymie	USAC
Hughet, Pamela	USAC
James, Christine	USAC
Jones, Peggy	USAC
King, Lauren	USAC
Kriete, Debra	South Dakota DOE
Lee, Brandon	USAC
Little, Chris	USAC
Lutin, Smyth	USAC
Mattes, Emily	USAC
Mitchell, Tamika	USAC
Morning, Kim	USAC
Nuzzo, Patsy	USAC
Parker, Ben	USAC
Patel, Amish	USAC
Pilsch, Tracey	USAC
Rand, Spencer	USAC
Rios, Estee	USAC
Robinson, Ben	USAC
Schecker, Larry	USAC
Sinkfield, David	USAC
Smith Denise	Kelley Drye & Warren, LLP
Sprung, Karen	FCC
Tamm, Nico	USAC
Theobald, Fred	USAC
Tiwari, Tanya	USAC

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OPEN SESSION

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

a1. Consent Items. Mr. Lubin presented this item to the Board.

A. Approval of Board Meeting Minutes of the July 30, 2019 and October 7, 2019.

B. Approval of Moving all *Executive Session* Items into *Executive Session*:

(1) **ii** – Enterprise Business Updates (*Continued*).

- **A.** CEO Business Update. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of *internal controls and/or confidential company data*, and *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
- **C.** Enterprise Portfolio Management Office (*Continued*) – Enterprise Risk Management Update. USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls and/or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
- **D.** Human Resource Business Update. USAC management recommends that occur in *Executive Session* because it involves *confidential company data* and *personnel matters*.
- **E.** Information on Contribution Factor. USAC management recommends that this report be discussed in *Executive Session* because it relates to *internal controls, and/or confidential company data*, and may also include *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
- **F.** Procurement Business Update. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.

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- (2) **a7.** Consideration of Contract Awards for the Beneficiary and Contributor Audit Program Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (3) **a8.** Consideration of One-Year Contract Option for Call Center Services. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (4) **a9.** Consideration of Increase in the Not-to-Exceed Contract Value for the Dell/EMC Transformational License Agreement. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (5) **a10.** Consideration of Increase in the Not-to-Exceed Contract Value for Okta Licensing. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (6) **a11.** Consideration of One-Year Contract Renewal for Oracle License Support. USAC management recommends that this item be discussed in *Executive Session* because it relates to USAC's *procurement strategy and contract administration*.
- (7) **i2.** Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports. USAC management recommends that this item be discussed in *Executive Session* because it relates to *internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.
- (8) **i3.** Information on USAC Fraud Risk Assessment Framework. USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls and/or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.
- (9) **a12.** Personnel Matter – Consideration of 2020 Merit-Based Salary Increase and Incentive Award Program for USAC Employees. USAC management recommends that occur in *Executive Session* because it involves *personnel matters*.
- (10) **i4.** Board Discussion on Confidentiality. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of matters subject to *attorney-client privilege*.

- (11) E-Gov – Board Lunch. USAC management recommends that this item be discussed in *Executive Session* because it involves *specific internal controls and/or confidential company data* and *internal rules and procedures* concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in *disclosure of confidential techniques and procedures* that would compromise program integrity.

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

RESOLVED, that the USAC Board of Directors hereby approves: (1) the Board meeting minutes of July 30, 2019 and October 7, 2019; and (2) discussion in *Executive Session* of the items noted above.

- a2. **Reports from Committee Chairs: Audit Committee, Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.** The committee chairs reported on matters discussed and actions taken by their respective committees since the July 2019 quarterly meetings. Mr. Feiss reported for the Audit Committee; Mr. Lubin reported for the Executive Committee; Mr. Gillan reported for the High Cost & Low Income Committee; Dr. Wibberly reported for the Rural Health Care Committee; and Dr. Domenech reported for the Schools and Libraries Committee.
- a3. **Approval of USAC Common and Consolidated 1st Quarter 2020 Budgets for the November 1, 2019 FCC Filing.** Ms. Huguet presented this item for consideration. The presentation included a written report on USAC management's recommendations for USAC's common and consolidated 1st quarter 2020 budgets for the November 1, 2019 FCC filing.

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

RESOLVED, that the USAC Board of Directors approves a 1st Quarter 2020 common budget of \$23.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$23.91 million for common costs in the required November 1, 2019 filing to the FCC on behalf of the USAC Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2020 consolidated budget of \$59.10 million; and

RESOLVED FURTHER, that the USAC Board of

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Directors directs USAC staff to submit a collection requirement of \$59.10 million for consolidated costs in the required November 1, 2019 filing to the FCC on behalf of the USAC Board of Directors.

- a4. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.** Mr. Lubin presented this item to the Board, offering names for consideration for the 2020 Nominating Committee, directing the Nominating Committee to recommend nominations for USAC officer positions, and directing each Committee to submit their nominations for a chair and vice chair of each respective committee at the January 2020 Board of Directors meeting .

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

RESOLVED, that the USAC Board of Directors establishes a Nominating Committee and directs the Committee to recommend to the USAC Board of Directors at its January 28, 2020 meeting nominations for the elected USAC officer positions; and

RESOLVED FURTHER, that the USAC Board of Directors appoints **Matt Gerst** as Nominating Committee Chair and **Olivia Wein** and **Julie Tritt Schell** as members of the Nominating Committee; and

RESOLVED FURTHER, that the USAC Board of Directors directs each committee of the Board to bring to the Board at the January 28, 2020 meeting nominations for a chair and vice chair of each respective committee.

- a5. Consideration of Approval to Reimburse Board Members to Attend an Event Other Than a USAC Board or Committee Meeting.** Ms. Morning presented this item to the Board for consideration, approving reimbursement for the Chair, Vice Chair and Treasurer of the Board to travel to Washington, D.C. to review and discuss the 2020 Annual Budgets with USAC management.

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

RESOLVED, that in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings*, the Board of Directors authorizes USAC management to reimburse those Board members who travel to Washington, D.C. for the purpose of participating in USAC's 2020 Budget Planning Review.

- a6. Approval to Dissolve the USAC Funds Guidelines for Investments and the**

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USAC Investment Committee. Mr. Salvator presented this item to the Board for consideration, noting that USAC is no longer making new investment purchases due to the transfer of cash held for the Universal Service fund to the U.S. Treasury, and that the final investment was liquidated and transferred to the U.S. Treasury on August 15, 2019.

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

RESOLVED, that the USAC Board of Directors approves dissolving the *USAC Funds Guidelines for Investments* and the Investment Committee.

ii. Enterprise Business Updates:

B. Information Technology Update. Mr. Hutchinson presented PowerPoint slides covering the following to the Board:

1. Q3 2019 Activities and 2020 Outlook
 - 2019 Q3 Updates at a Glance
 - Q4 2019-2020
 - IT Security/FISMA Snapshot

C. Enterprise Portfolio Management Office (EPMO) Q3 2019 Summary.

The EPMO Q3 2019 Summary was provided for information purposes only.

At 9:30 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

A. CEO Business Update. Ms. Sekar presented PowerPoint slides covering the following to the Board:

1. Recap of action items and updates from previous Board and committee meetings
2. IT Accomplishments: FISMA
3. 2020 USAC Priorities:
 - Digital Opportunity Data Collection
 - Rural Health Care Connected Care Pilot Program
 - E-rate Modification of FCC Form 470
 - Lifeline National Verifier Rollout
 - High Cost Rural/Broadband Fund
 - Enterprise Resource Planning (ERP)
 - Rural Health Care Reform Order

C. Enterprise Portfolio Management Office Business Update (Continued) – Enterprise Risk Management Update. Mr. Beyerhelm presented

PowerPoint slides covering the following to the Board:

1. Enterprise Risks:
 - Enterprise Risk Management Framework
 - Enterprise Risks – Q2 Heat map
 - Enterprise Risks – Q2 to Q3
 - Enterprise Risks – Q3 Heat map

The Board then recessed 10:25 a.m. Eastern Time and reconvened, continuing in *Executive Session* at 10:37 a.m. Eastern Time.

- E. Finance – Information on Contribution Factor.** Mr. Salvatore presented this item to the Board. The presentation included a written report providing USAC’s estimate for the 1st quarter 2020 contribution factor.
- F. Procurement Business Update.** Mr. Davis presented PowerPoint slides to the Board that covered major Procurement activities for 4Q 2019 & 1Q 2020.
- a7. Consideration of Contract Awards for the Beneficiary and Contributor Audit Program Services.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC’s proposed contract award for nine indefinite delivery indefinite quantity (IDIQ) task order based contracts for Beneficiary and Contributor Audit Program (BCAP) services.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management, subject to required FCC approval, to award the Beneficiary and Contributor Audit Program Services IDIQ contracts to KPMG LLP, Cotton & Company, Kearney & Company, Regis & Associates PC, Clifton Larson Allen LLP, DP George & Company, Cohn Reznick LLP, Hurlbert CPA LLC, and Mitchell & Titus LLP, for a one-year base period, with the ability to exercise four additional one-year options, subject to requisite FCC and Board of Directors approvals. The task orders collectively under all of these IDIQ contracts will not exceed \$10.00 million (plus applicable taxes) over the initial one-year term.

- a8. Consideration of a One-Year Contract Option for Call Center Services.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC’s proposal to exercise a second one-year contract option for call center services with Sutherland Government Solutions, Inc.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to exercise the second one-year contract option to purchase call center services from Sutherland Government Solutions, Inc. for a not-to-exceed amount of \$1.59 million (plus applicable taxes), subject to required FCC approval.

- a9. Consideration of Increase in the Not-to-Exceed Contract Value for the Dell/EMC Transformational License Agreement.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposal to increase the not-to-exceed amount of the three-year Dell/EMC Transformational Licensing Agreement (TLA) contract with Clearpath Solutions Group (Clearpath) for software licenses and software support for USAC's data storage environments.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management, subject to required FCC approval, to increase the firm fixed price amount of the three-year Dell/EMC Transformational Licensing Agreement contract with Clearpath Solutions Group for software licenses and software support for USAC's data storage environments by \$31,286 from the total price of \$1,624,674 to \$1,655,960 (plus applicable taxes).

- a9. Consideration of Increase in the Not-to-Exceed Contract Value for Okta Licensing.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposal to increase the not-to exceed amount of the support services and licensing contract with Okta Inc. (Okta).

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to required FCC approval, to increase the not-to-exceed amount of the support services and licensing contract with Okta Inc. by \$269,485.42 from \$907,567 to \$1,177,052.42 (plus applicable taxes) to cover the cost of 700 additional Okta licenses for internal users and up to 300,000 Okta Licenses for external users to ensure USAC compliance with established security standards.

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a11. Consideration of One-Year Contract Renewal for Oracle License Support.

Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposal to renew the current technical support contract for Oracle licenses with Oracle Corporation for one year.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to renew USAC's technical support services Contract with Oracle Corporation for one year for a not-to-exceed amount of \$1,300,000 (plus applicable taxes).

At 11:30 p.m. Eastern Time, the Board continued in *Executive Session* with only members of the Board present for lunch and a discussion on E-Gov, reconvening in *Executive Session* at 1:06 p.m. Eastern Time.

i2. Information on Two USAC Audit and Assurance Division Universal Service Contributor Revenue Audit Reports. The Board received a report with information on two USAC Audit and Assurance Division contributor revenue audit reports. The report was provided for informational purposes; no discussion was held on this item.

At 1:09 p.m. Eastern Time the Board continued in *Executive Session* with members of the Board, USAC leadership, and members of the Office of General Council present.

i3. Fraud Risk Assessment Framework. Ms. Morning and Mr. Calhoun presented this item to the Board for discussion.

i1. Enterprise Business Updates (Continued.)

D. Human Resource Business Update. Ms. Mitchell presented PowerPoint slides covering the following to the Board:

- 2019 Key Goals and Accomplishments
- Risk Management: Human Resources
- Q3 Operational Performance Metrics
- Recruiting and Hiring

At 1:57 p.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board, Ms. Mitchell, and Ms. Morning present.

a12. Personnel Matter - Consideration of 2020 Merit-Based Salary Increase and Incentive Award Program for USAC Employees. Ms. Mitchell presented this item to the Board for consideration. The presentation covered the 2020 salary

increase and incentive awards program for USAC employees proposed by the USAC Chief Executive Officer and the Executive Compensation Committee

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

RESOLVED, that the USAC Board of Directors, having reviewed the USAC management and the Executive Compensation Committee proposed 2020 merit-based salary increase and incentive awards program for USAC employees, hereby approves the proposed program.

At 1:59 p.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board and Ms. Morning present.

i4. Board Discussion on Confidentiality. Ms. Morning presented this item for discussion.

OPEN SESSION

At 2:10 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Lubin reported that in *Executive Session*, the Board took action on items a7 – a12 and discussed items i1A, C – F and i2 – i4.

On a motion duly made and seconded, the Board adjourned at 2:10 p.m.. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

**BOARD OF DIRECTORS MEETING
Monday, December 9, 2019**

(DRAFT) MINUTES¹

A meeting of the USAC Board of Directors (Board) was held at USAC’s offices in Washington, D.C. on Monday, December 9, 2019. Mr. Joel Lubin, Board Chair, called the meeting to order at 3:02 p.m. Eastern Time, with a quorum of 15 of the 19 Board members present:

Bocher, Robert – *by telephone*
Buzacott, Alan – *by telephone*
Choroser, Beth – *by telephone*
Domenech, Dr. Dan – *by telephone*
Feiss, Geoff – *by telephone*
Fontana, Brent – *by telephone*
Freeman, Sarah – *by telephone*
Gillan, Joe – Vice Chair – *by telephone*

Jacobs, Ellis – *by telephone*
Lubin, Joel – Chair – *by telephone*
Mason, Ken – Treasurer – *by telephone*
Julie Tritt Schell – *by telephone*
Sekar, Radha – Chief Executive Officer
Wade, Dr. Joan – *by telephone*
Wibberly, Dr. Kathy – *by telephone*

Members of the Board not present:

Gerst, Matthew
Kinser, Cynthia
Tinic, Atilla
Wein, Olivia – Secretary

Officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Davis, Craig – Vice President of Procurement and Sourcing Strategy
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Daniels, Joel	USAC
James, Christine	USAC

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

NAME

Nuzzo, Patsy – *by telephone*

Tiwari, Tanya

COMPANY

USAC

USAC

OPEN SESSION

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

- a1. **Consideration of Contract Award for Analysis, Requirements, and Project Management Office Support for ERP System Services.** USAC management 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 Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

- a2. **Consideration of One Year Contract Option for Information Technology Temporary Staffing.** USAC management 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 Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

At 3:04 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential items listed above.

EXECUTIVE SESSION

- a1. **Consideration of Contract Award for Analysis, Requirements, and Project Management Office Support for ERP System Services.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed award of a firm fixed price contract to Ernst & Young US LLP (Ernst & Young), for financial systems and process analysis, functional system requirements gathering and project management office (PMO) support for an Enterprise Resource Planning (ERP) system project.

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

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

required FCC approval, to award a firm fixed price contract to Ernst & Young, for financial systems and process analysis, functional system requirements gathering, and PMO support for an ERP system project, for a base period of eighteen (18) months for approximately \$3.1 million (plus applicable taxes), with the ability to exercise three additional one-year terms, subject to required FCC and Board approvals, for a total not-to-exceed amount of \$5.41 million (plus applicable taxes) over the base period and three one-year options.

- a2. **Consideration of One Year Contract Options for Information Technology Temporary Staffing.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposal to exercise a second one-year option for each of the seven indefinite delivery indefinite quantity (IDIQ) contracts for Information Technology (IT) temporary staff augmentation

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to exercise a one-year option for each of the seven IDIQ contracts with Manpower Group Public Sector, Inc.; Mindlance, Inc.; HireStrategy; Ampcus; Powersolv; Zolon Tech, Inc.; and VIVA USA, Inc. for IT temporary staff augmentation, subject to requisite FCC approval. Each of these IDIQ contracts shall be subject to a minimum of \$1,000 per contract, and task orders collectively under all of these IDIQ contracts will not exceed \$5 million (plus applicable taxes) in the aggregate during the one-year option period.

OPEN SESSION

At 3:41 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Lubin reported that, in *Executive Session*, the Board took action on items a1 and a2.

On a motion duly made and seconded, the Board adjourned at 3:42 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

BOARD OF DIRECTORS MEETING
Monday, December 23, 2019

(DRAFT) MINUTES

In a Public Notice, dated December 16, 2019 (DA 19-1277), Federal Communications Commission (FCC or Commission) Chairman Pai appointed the following six individuals to the USAC Board of Directors (Board):

- Representative for libraries that are eligible to receive discounts pursuant to section 54.501 of the Commission's rules: Amber Gregory, Manager of E-Rate Services, Arkansas State Library;
- Representative for cable operators: Beth Choroser, Vice President of Regulatory Affairs, Comcast Corporation;
- Representative for schools that are eligible to receive discounts pursuant to section 54.501 of the Commission's rules: Dr. Daniel A. Domenech, Executive Director, AASA, The School Superintendents Association;
- Representative for commercial mobile radio service providers: Matt Gerst, Director for Regulatory Affairs, CTIA;
- Representative for state consumer advocates: Jeffrey Jay Waller, Alaska Office of the Attorney General, Chief Assistant, Attorney General for the Regulatory Affairs & Public Advocacy Section; and
- Representative for incumbent local exchange carriers (Bell Operating Companies): Stephanie Polk, Vice President of Customer Advocacy, CenturyLink

On December 19, 2019, the Board was requested to vote by written unanimous consent to elect these members to the Board and appoint them to a committee by virtue of the constituency they represent.

- a1. Election of Members to the USAC Board of Directors and Appointment of Members to Programmatic Committees.** On December 23, 2019, on a motion duly made and approved by written unanimous consent, 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 to the USAC Board of Directors, effective January 1, 2020:¹

¹ Each is director is appointed for a three year term. See 47 C.F.R. § 54.703(d).

- Dr. Daniel A. Domenech for a term expiring on December 31, 2022;
- Beth Choroser, for a term expiring on December 31, 2022;
- Matthew Gerst, for a term expiring on December 31, 2022;
- Amber Gregory, for a term expiring on December 31, 2022;
- Stephanie Polk for a term expiring on December 31, 2022; and
- Jeffery Jay Waller for a term expiring on December 31, 2022; 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; and

RESOLVED FURTHER, that, consistent with 47 C.F.R. § 54.705 and the USAC By-laws, Article II, and by virtue of the constituency they represent:

- Dr. Daniel Domenech and Amber Gregory are hereby appointed to the Schools & Libraries Committee;
- Matthew Gerst, Stephanie Polk and Jeffery Waller are hereby appointed to the High Cost & Low Income Committee; and
- Jeffery Waller is hereby appointed to the Rural Health Care Committee.

/s/ Ernesto Beckford
Assistant Secretary

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

BOARD OF DIRECTORS MEETING
Thursday, January 2, 2020

(DRAFT) MINUTES¹

A meeting of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, January 2, 2020. Mr. Joe Gillan, Vice Chair and Acting Board Chair, called the meeting to order at 4:02 p.m. Eastern Time, with a quorum of 12 of the 19 Board members present:

Buzacott, Alan – *by telephone*

Freeman, Sarah – *by telephone*

Gerst, Matthew – *by telephone*

Gillan, Joe – Vice Chair/Acting Chair – *by telephone*

Gregory, Amber – *by telephone*

Jacobs, Ellis – *by telephone*

Mason, Ken – Treasurer – *by telephone*

Polk, Stephanie – *by telephone*

Sekar, Radha – Chief Executive Officer

Wade, Dr. Joan – *by telephone*

Waller, Jeff – *by telephone*

Wibberly, Dr. Kathy – *by telephone*

Mr. Atilla Tinic and Ms. Olivia Wein joined the meeting by telephone, respectively, at 4:06 p.m. and 4:07 p.m. Eastern Time. They participated in the discussion of and voted on item a1.

Members of the Board not present:

Choroser, Beth

Domenech, Dr. Dan

Feiss, Geoff

Fontana, Brent

Officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary

Davis, Craig – Vice President of Procurement and Sourcing Strategy

Salvator, Charles – Vice President of Finance, Chief Financial Officer and

Assistant Treasurer – *by telephone*

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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Daniels, Joel	USAC
Nuzzo, Patsy	USAC
Tiwari, Tanya	USAC

OPEN SESSION

- a1. **Consideration of Contract Award for ServiceNow Licenses.** USAC management 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 Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors determines that the discussion of this item be conducted in *Executive Session*.

At 4:04 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

- a1. **Consideration of Contract Award for ServiceNow Licenses.** Mr. Davis presented this item for consideration. The presentation included a summary slide and written report with information on USAC's proposed contract award to CDW for ServiceNow licenses.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management, subject to required FCC approval, to award a one-year, firm-fixed price contract for ServiceNow licenses to CDW for a total not-to-exceed price of \$335,159 (plus applicable taxes).

OPEN SESSION

At 4:16 p.m. Eastern Time, on a motion duly made and seconded, the Board moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that, in *Executive Session*, the Board took action on item a1.

On a motion duly made and seconded, the Board adjourned at 4:16 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

ACTION ITEM

**Approval of April 2021 – January 2022 Board of Directors
Quarterly Meeting Schedule**

Issue:

The USAC Board of Directors (Board) is requested to approve a schedule for the quarterly Board and committee meetings for April 2021 through January 2022 to provide Board members and USAC staff sufficient lead time to plan for the meetings.

Background – Analysis – Justification:

The USAC Board of Directors is required to meet quarterly in Washington, D.C. At its January 2019 meeting, the Board approved quarterly meeting dates through January 2021 as follows:

Executive Committee	Programmatic Committees & Board of Directors
April 23, 2020	April 27-28, 2020
July 23, 2020	July 27-28, 2020
October 22, 2020	October 26-27, 2020
January 21, 2021	January 25-26, 2021

Below is the recommended schedule of meetings for April 2021 through January 2022:

Executive Committee	Programmatic Committees & Board of Directors
April 22, 2021	April 26-27, 2021
July 22, 2021	July 26-27, 2021
October 21, 2021	October 25-26, 2021
January 20, 2022	January 24-25, 2022

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Board of Directors adopts the Board of Directors and committee quarterly meetings schedule for April 2021 through January 2022.

Available for Public Use

**Universal Service Administrative Company
Audit Committee Meeting**

ACTION ITEM

Review of the 2020 Audit Committee Charter

Same as aAC01C

Action Requested

In accordance with USAC's Audit Committee Charter (Charter), Section III.A.1, the Audit Committee (Committee) of the USAC Board of Directors (Board) is required to review and reassess the adequacy of the Charter at least annually, and recommend changes, as deemed necessary, to the Board.

Discussion

USAC Audit and Assurance Division (AAD) staff and Committee members reviewed the Charter to determine if any changes should be recommended to the Committee and the Board of Directors for consideration. AAD does not recommend any changes to the Audit Committee for consideration at this time. **Attachment D-2** provides the existing Charter. The Committee recommends that the Board approve the existing Charter without revision.

Recommended USAC Audit Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Audit Committee, having reviewed the existing Audit Committee Charter recommends that the USAC Board of Directors approve the current Audit Committee Charter without revision.

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTION:

RESOLVED, that the USAC Board of Directors, having reviewed the existing Audit Committee Charter hereby accepts the recommendation of the Audit Committee and approves the current Audit Committee Charter without revision.

Briefing book excludes all materials discussed in Executive Session.

ACTION Item #aBOD01

Attachment D-2

1/28/20

ATTACHMENT D-2

Audit Committee Charter

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
AUDIT COMMITTEE CHARTER**

January 2020

- I. Audit Committee Purpose, Duties, and Responsibilities.
- A. The Audit Committee (Committee) of the Board of Directors of the Universal Service Administrative Company (USAC) shall provide assistance to the Board of Directors (Board) in fulfilling the Board's oversight responsibilities relating to corporate accounting, financial reporting practices, internal control, Universal Service Fund program integrity, enterprise risk management, and all aspects of corporate compliance with applicable law.
- B. The Committee's primary duties and responsibilities shall be as follows:
1. Oversee management's efforts to maintain the reliability and integrity of USAC's accounting policies and financial reporting practices.
 2. Oversee management's efforts to establish, maintain, and review processes that assure that an adequate system of internal control is functioning within USAC through the execution of operational and Universal Service Fund Beneficiary and Contributor audits and the required annual financial statement audit and agreed upon procedures review.
 3. Oversee management's efforts to establish, maintain, and review processes that assure compliance by USAC with all applicable laws.
 4. Develop and oversee a Strategic Audit Plan to verify USAC's financial and operational integrity.
 5. Provide an avenue of communication between USAC's independent financial statement auditors, USAC management (including but not limited to the Chief Executive Officer, the Vice President of Finance and Chief Financial Officer, the Vice President and General Counsel, and the Vice President of each USAC programmatic division), the Vice President of Audit and Assurance, and the Board.
 6. Provide insight and recommendations to establish cost effective Universal Service Fund strategic audit plans that include a focus on high risk areas as identified through audit results and data analytics. Also, assist USAC by providing solutions to mitigate common audit findings and suggestions to build a more collaborative audit experience for Universal Service Fund participants.

II. Audit Committee Composition, Appointment, and Meetings.

A. Composition

1. The Committee shall consist of five Board members:
 - a. At least one representative from each of the three programmatic committees of the Board (the High Cost & Low Income Committee, the Rural Health Care Committee, and the Schools & Libraries Committee). The Chairperson of the Audit Committee will serve as a member of the Executive Committee.
 - b. Two at-large Board members.
 - c. At least one Committee member shall have a background in financial reporting, accounting, or auditing, or other financial expertise.
2. Each member of the Committee shall meet each of the following independence requirements:
 - a. Is not and has not been employed in an executive capacity by USAC for at least five years prior to appointment to the Committee.
 - b. Is not an advisor or consultant to USAC, and does not have a personal services contract or other business relationship with USAC.
 - c. Is not a spouse, parent, sibling, child, or in-law of any person described in the preceding two clauses of this paragraph or of any member of USAC management.

B. Appointment

1. The members of the Committee shall be appointed annually by the Board. Each member shall hold office until he/she resigns, is removed or until a successor is appointed by the Board.
2. The Board shall appoint one of the members of the Committee as Chair and another as Vice Chair.

C. Meetings

1. The Committee shall meet at least quarterly and at such other times as the Committee deems necessary.
2. The Committee shall, at least annually and at such other times as the Committee deems necessary, separately meet with USAC management, the Vice President of Audit and Assurance, and representatives of the independent financial auditing firm retained by USAC to discuss any matters that either the Committee or any of these groups believes should be discussed privately.

3. The Committee may direct any member of the Board, officer, or employee of USAC or advisor to USAC, including outside counsel or independent auditors, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall advise the Board of all such special meetings either prior to the meeting or promptly thereafter.

III. Responsibilities and Duties

A. Review of Documents, Reports, and Assessments

1. Review and reassess, at least annually, the adequacy of the Committee Charter and make recommendations to the Board, as deemed necessary.
2. Review, in conjunction with management and representatives of the independent auditing firm retained by USAC, the annual financial statements and the audit reports included with those statements and the annual agreed upon procedures review report.
 - a. Discuss with management and the independent auditors significant issues regarding accounting principles, practices, and judgments.
 - b. Discuss any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information.
 - c. Discuss any significant exceptions in the agreed upon procedures review report.
3. Annually develop and approve a Strategic Audit Plan in consultation with the Vice President of Audit and Assurance. In addition to projects outlined in the Strategic Audit Plan, the Committee may from time to time request additional specific operational and/or financial audits.
4. Review USAC financial, operational and compliance audit reports prepared by the independent auditors or the Audit and Assurance Division and management's response thereto.
5. Review, at least annually, a summary report of common audit findings concerning Universal Service Fund beneficiary and contributor audits performed under the Universal Service Fund Beneficiary and Contributor Audit Program.
 - a. Discuss audit results to highlight areas of high risk for consideration in developing future Universal Service Fund audit plans; identify FCC rules that may require revision to improve compliance among beneficiaries and contributors; and propose suggestions for improving audit efficiency among beneficiaries and contributors.

Briefing book excludes all materials discussed in Executive Session.

- a. All significant accounting policies and practices to be used.
 - b. All alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditing firm.
 - c. Other written communications between the independent auditors and management, such as any management letter or schedule of adjusted differences.
4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of the USAC financial statements, and management's response thereto.
- D. Oversight of the Operational Reporting Process, Agreed-Upon Procedures Review
1. In consultation with the independent auditing firm(s) retained by USAC and the Vice President of Audit and Assurance, review the integrity of internal controls and operating procedures and any exceptions identified in the agreed-upon procedures reviews.
 2. Review changes to USAC's internal controls or operating procedures and practices for consistency with suggestions of an independent auditing firm retained by USAC, management, or the Vice President of Audit and Assurance.
 3. Ensure and oversee timely reports from the independent auditing firm(s) retained by USAC to the Audit Committee.
 4. Review and evaluate significant disagreement among USAC management and the independent auditing firm(s) retained by USAC and/or the Vice President of Audit and Assurance in connection with the preparation of USAC's agreed upon procedures report and management's response thereto.
- E. Oversight of Audit and Assurance Division
1. Review and approve the Audit and Assurance Division Charter, organizational structure, budget, activities, and significant changes to the Strategic Audit Plan, as needed.
 2. Review and approve the appointment, replacement, reassignment or material changes in the role and/or responsibility of the Vice President of Audit and Assurance Division.

Briefing book excludes all materials discussed in Executive Session.

3. Review the effectiveness of the internal audit activities, including compliance with Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States (as amended) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
4. Review reports of whistleblower complaints received by the Vice President of Audit and Assurance. Such reports shall be prepared jointly by the Vice President of Audit and Assurance and USAC's Office of General Counsel.

F. Assessment of Internal Controls, Annual Report on Internal Controls

1. Review with management, the independent auditors, and the Vice President of Audit and Assurance the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimize such risks and exposures to the Company.
2. Review with management, the independent auditors, and the Vice President of Audit and Assurance the adequacy of the Company's system of internal controls as noted in the Annual Report on Internal Controls as issued by the independent auditing firm.
3. Establish and maintain procedures for the following activities:
 - a. The receipt, retention, and treatment of complaints received by USAC regarding accounting, internal controls, operating procedures, or auditing matters.
 - b. The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

G. Compliance With Applicable Law

1. In consultation with the Vice President and General Counsel, review at least annually any legal matters that could have a significant effect on the USAC's operations, financial statements, and reports received from regulators.
2. In consultation with the Vice President and General Counsel, review the processes established to assure compliance by USAC with all applicable laws.
3. Review the results of any investigations concerning waste, fraud, abuse, and/or accounting irregularities and make recommendations for remedial action, if appropriate.

H. Other Responsibilities of the Audit Committee

1. Periodically report to the Board through the Committee Chair or pursuant to other means acceptable to the Board.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Perform any other activities consistent with the Committee Charter, USAC's By-laws, and applicable laws, as the Committee or the Board deems appropriate.
4. When deemed appropriate by the Committee, the Committee will retain outside legal, accounting, or other advisors or consultants to advise and assist the Committee, without needing to seek approval for the retention of such advisors or consultants from the Board, *provided* that the cost is less than \$250,000 in any single calendar year. If the cost for such purpose exceeds \$250,000 in a calendar year, the Committee shall obtain Board approval before engaging or continuing to engage an outside advisor or consultant.

IV. Limitations on Responsibilities and Duties of Audit Committee Members and Audit Committee

- A. The responsibility of the Committee is oversight. USAC management is responsible for the USAC financial statements as well as financial reporting processes, principles, and internal controls. The independent auditing firm(s) retained by USAC is/are responsible for performing audits of the annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles, and other procedures. The members of the Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting.
- B. Each member of the Committee shall be entitled reasonably to rely on the following:
 1. The integrity of those persons within USAC and of the professionals and experts (such as the independent auditors) who provide professional advice and information to the Committee and/or USAC.
 2. The accuracy of the financial and other information provided to the Committee by such persons, professionals, or experts, absent actual knowledge to the contrary.
- C. Pursuant to USAC By-Laws and FCC rules, the programmatic committees of the Board have the authority for the performance of audits of beneficiaries of the respective support mechanisms and the full Board has the authority for the performance of audits of contributors to the Universal Service Fund. The Audit

Committee shall provide advice and assistance to the programmatic committees in support of the primary role of the programmatic committees with respect to audits of beneficiaries and the Board with respect to audits of contributors.

V. Procedures for Discussing Matters in *Executive Session*

- A. In general, any USAC Board member may attend any meeting of the Committee, including *Executive Sessions*, as an observer, even though the person is not a member of the Audit Committee. The exceptions to this general rule are as follows:
1. Where the Board member is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the conflict of interest, the Committee or any member thereof may raise the issue for consideration. The Board member may self-recuse from the meeting or, upon the vote of the Committee, be excluded from the relevant portion of the *Executive Session* of the Committee meeting.
 2. Where a Board member seeking to attend an *Executive Session* of the Committee is aware of an actual or potential conflict of interest with respect to a matter coming before the Committee in *Executive Session*, he/she shall bring the matter to the attention of the Committee or, if the Committee is aware of the actual or the potential conflict of interest, the Committee or any member thereof may raise the issue for consideration. Where disclosure and/or discussion of the specific issue or potential conflict of interest would compromise the integrity of the Universal Service Fund, the Committee shall exclude all persons other than Audit Committee members.
 3. Where the Committee wishes to meet with USAC's independent auditing firm, the Vice President of Audit and Assurance, the Vice President and General Counsel, the Vice President of Finance and Chief Financial Officer, and/or other representatives to discuss or seek assurances concerning any significant difficulties encountered during the course of a review or audit, including any restrictions on the scope of work or access to required information, or matters of a similar nature, and/or engaged in the preliminary assessment of any investigation, the Committee may exclude Board members who are not members of the Committee from attending the relevant portion of the *Executive Session* of the Committee meeting.

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

ACTION ITEM

**Election of Committee At-Large Seats, Chairs, and Vice Chairs
and
Election and Appointment of Corporate Officers**

Action Requested

The USAC Board of Directors (Board) is requested to elect Board members to Board and committee leadership positions as committee chairs and vice chairs and to certain officer positions, as well as appoint staff members to certain officer positions. In addition, the Board elects members to committees when necessary.

Discussion

USAC's By-laws provide that the election of USAC corporate officers should be the first order of business at the first Board meeting at the beginning of each calendar year.¹ The Board also determined that it should elect committee chairs and vice chairs at the same time.²

In January 2020, the Nominating Committee of the Board met via teleconference to (1) discuss the results of the December 2019 Board member interest survey, (2) recommend a slate of candidates for each of USAC's corporate officer positions (i.e., Board Chair, Vice Chair, Treasurer, Secretary, Assistant Treasurer, and Assistant Secretary), (3) make recommendations that would assist the Audit, Executive, Executive Compensation, High Cost & Low Income (HCLI), Rural Health Care (RHC), and Schools & Libraries (SL) committees in selecting Board members to serve as committee chairs and vice chairs; and (4) make recommendations to fill at-large seats in each of the committees.

The Nominating Committee shared its recommendations for officer and committee positions with Board members, basing its recommendations on each Board member's interest in serving on a particular committee and/or in a particular officer or committee leadership position and taking into account committee composition requirements, as set out in the Federal Communications Commission (FCC) rules, USAC's By-laws, and committee charters. Unless a member indicated that he or she did not wish to retain his or her current committee assignments (and so long as assignment to a particular committee is not prescribed by the By-laws or committee charters), the Nominating Committee recommended that members currently serving in a particular position remain in that position.

¹ USAC By-laws, Article III.

² USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), available at <https://www.usac.org/about/leadership/board-minutes/>.

Below is information the Nominating Committee used as part of its discussion, which may be informative for Board members regarding Board structure and chair, vice chair and officer positions.

Background

Board of Directors Membership. The USAC Board consists of 19 members, with the Chief Executive Officer (CEO) being the only permanently appointed, non-elected member. The other 18 members of the Board serve three-year staggered terms, with six Board member terms expiring each on December 31 of the third year of their term, regardless of when during the year the member was elected to the Board. In effect, six Board members have their terms expire each year. Although Board member terms are set for three years, Board members serve until they are reappointed or replaced by the FCC Chair, the member resigns, or the member is removed by a two-thirds vote of the Board with the concurrence of the FCC Chair.

Committee Memberships and At Large Seats. The Board currently has seven committees. The constituency of each committee is set forth below under “Board Committee Composition.” FCC rules and USAC’s By-laws set forth the composition requirements for the HCLI, RHC and SL committees. The composition requirements for the remaining committees are governed by charters that were approved by the Board. Some committee seats are automatic based on the constituency that each Board member represents.³ Other committee seats, which may be identified as “at large” positions, are not automatic and are made by appointment of the Board.⁴

Election and Term of Committee Chairs and Vice Chairs. The Board previously determined by resolution that committee chairs and vice chairs would be elected for one-year terms that will typically commence at the conclusion of the January Board of Directors meeting each year.⁵ There are no term limits for chairs and vice chairs, and there is no automatic succession. The Board also determined by resolution that a chair or vice chair would remain in position in the event the Board does not make an election or appointment for such position at the January Board meeting (provided the person holding that position has not resigned or been removed from the Board).⁶

Officer Terms. The officers of the company are set forth in Table 2 below. Pursuant to Article III of the USAC By-laws, and applicable Board resolutions, the positions of Board Chair, Vice Chair, Treasurer, Secretary, Assistant Treasurer, and Assistant

³ For example, the Board has three members that represent schools eligible to receive support. The SL Committee must contain three members that represent schools eligible to receive support. Therefore, the Board members that represent this constituency are automatically members of the SL Committee.

⁴ For example, the SL Committee must contain one at-large representative elected by the Board. The SL Committee also must contain one service provider representative and, because the Board has multiple service provider representatives, this committee position is also an at-large position elected by the Board.

⁵ See USAC Board of Directors Meeting Minutes, at 4 (Jan. 25, 2000), available at <https://www.usac.org/about/leadership/board-minutes/>.

⁶ See *id.*

Secretary each have a one-year term, which typically begins at the conclusion of each January Board meeting. There are no term limits for such positions, and there is no automatic succession. The Board also determined by resolution that an officer would remain in position in the event the Board did not make an election or appointment for such position in the January Board meeting, provided the person holding that position has not resigned from, or been removed by, the Board in the case of a Board member, and has not resigned, or been removed by, the CEO in the case of an employee of USAC.

Nominating Committee. The Nominating Committee consists of three members and is responsible for soliciting nominations and recommending to the Board a slate of candidates for each of USAC's corporate officer positions. In addition, the Committee assists the Audit, HCLI, RHC, and SL committees in identifying Board members to serve as committee chair and vice-chair for each committee, as well as assisting the committees with identifying Board members to fill at-large seats.

The Board appoints the Nominating Committee members during the October quarterly meeting each year. The Nominating Committee typically reports its recommendations to the Board at the January quarterly meeting. In addition, each committee at its respective January quarterly meeting votes on a recommended committee chair and vice chair, with the names of the nominees reported by the respective committee chair to the Board for consideration also at the Board's January meeting.

At the January meeting, the Chair of the Nominating Committee identifies the Board members recommended to serve as Board Chair, Vice Chair, Treasurer and Secretary, and the staff members to serve as Assistant Treasurer and Assistant Secretary. (USAC's Chief Financial Officer typically serves as the Assistant Treasurer, and the General Counsel typically serves as the Assistant Secretary.)

Deferment of Nominating Process Under Certain Circumstances. The nominating process assumes that the FCC Chair has selected individuals to fill expiring terms of members from the prior two years, as well as members whose terms expired on the immediately preceding December 31 (i.e., all expiring term seats have been selected by the FCC Chair and elected to the Board prior to consideration of members for the chair, vice chair, and officer positions). When this has not occurred, which has periodically been the case, the Audit, Executive Compensation, HCLI, RHC and SL committee chairs and vice chairs, as well as the Nominating Committee can (following consultation with the Board Chair, the Vice Chair, the CEO and the General Counsel), choose to defer making recommendations until the FCC Chair has made Board selections.

Incumbent Preferences. Traditionally, an incumbent committee chair and vice chair retain their positions if they so choose, but there is no rule or policy requiring such practice. Any Board member can serve as Board Chair, Vice Chair, Treasurer or Secretary. As with the committee chair and vice chair positions, the incumbents traditionally retain their positions if they so choose, but there is no rule or policy requiring such practice.

Board Committee Composition

SL Committee:

47 C.F.R. Section 54.705(a)(2) provides that the SL Committee will include the following seven seats: three school representatives; one library representative; one service provider representative; one at-large representative; and the USAC CEO. On July 26, 2016, at the recommendation of the Nominating Committee, the Board of Directors added two at-large positions to the SL Committee.⁷

HCLI Committee:

The composition of the HCLI Committee was originally set forth in a 1998 FCC order (FCC 98-306, ¶¶ 34 and 38). Although the FCC did not include the HCLI Committee composition requirements in 47 C.F.R. Part 54, the Order sets the size (nine) and membership of the committee, which USAC included in Article II, Section 8 of its By-laws as follows: two ILEC representatives (one representing rural telephone companies and one representing non-rural telephone companies); one wireless representative; one CLEC representative; one low income representative; one interexchange carrier representative; one state consumer advocate; one state telecommunications regulator representative; and the USAC CEO. On July 26, 2016, at the recommendation of the Nominating Committee, the Board of Directors added two at-large positions to the HCLI Committee.⁸

RHC Committee:

47 C.F.R. Section 54.705(a)(2) provides that the RHC Committee will consist of the following eight seats: two rural health care representatives; one service provider representative; two at-large representatives elected by the Board; one state telecommunications regulator; one state consumer advocate; and the USAC CEO.

Audit Committee:

The Audit Committee has five members, consisting of a member from each of the HCLI, RHC, and SL committees and two at-large seats. Section II.A. of the Audit Committee Charter requires that at least one member of the Committee “have a background in financial reporting, accounting, or auditing, or other financial expertise.”

Executive Committee:

⁷ See USAC Board of Directors Meeting Minutes at 25-26 (July 26, 2016), available at <https://www.usac.org/about/leadership/board-minutes/>.

⁸ See USAC Board of Directors Meeting Minutes at 25-26 (July 26, 2016), available at <https://www.usac.org/about/leadership/board-minutes/>.

The Executive Committee is comprised of the Board Chair and Vice Chair; the Audit, HCLI, RHC and SL committee chairs; the Treasurer and Secretary of the corporation; and the USAC CEO.

Executive Compensation Committee:

The Executive Compensation Committee (ECC) consists of five voting members, plus the Board Chair, who serves as a non-voting member.

Current Committee Chairs, Vice Chairs, and Officers

Table 1 – Chairs and Vice Chairs

Following are the current committee chairs and vice chairs:

Committee	Chair	Vice Chair
Executive	Vacant Effective 1/1/2020 (was Joel Lubin)	Joe Gillan
Audit Committee	Geoff Feiss	Atilla Tinic
High Cost & Low Income	Joe Gillan	Oliva Wein
Rural Health Care	Dr. Kathy Wibberly	Brent Fontana
Schools & Libraries	Dr. Dan Domenech	Julie Tritt Schell
Executive Compensation	Joe Gillan	---

Table 2 – Officers

Following are the current officers:

Officer Position	Incumbent
Chair	Vacant Effective 1/1/2020 (was Joel Lubin)
Vice Chair	Joe Gillan
Secretary	Olivia Wein
Treasurer	Ken Mason
CEO ⁹	Radha Sekar
Assistant Secretary ¹⁰	Ernesto Beckford
Assistant Treasurer ¹¹	Charles Salvator

⁹ The CEO is elected to a term coincident with the term of the CEO’s employment and is not elected annually.

¹⁰ Traditionally, the General Counsel serves as the Assistant Secretary.

¹¹ Traditionally, the Chief Financial Officer serves as the Assistant Treasurer.

Officer Position	<i>Incumbent</i>
Other USAC VPs ¹²	<ul style="list-style-type: none"> • VP; General Counsel: Ernesto Beckford • VP, Finance; Chief Financial Officer: Charles Salvator • VP, Rural Health Care Program & Shared Services: Mark Sweeney • VP, Lifeline Program: Michelle Garber • VP, High Cost Program: Victor Gaither • VP, Schools and Libraries: Catriona Ayer • VP, Audit and Assurance: Teleshia Delmar • VP, Procurement & Strategic Sourcing: Craig Davis • VP; Chief Information Officer: Kyle Hutchinson • VP, Enterprise Portfolio Management: Chris Beyerhelm

On January 27, 2020, the Audit, HCLI, RHC, and SL committees met to identify and make recommendations to the Board for action at today’s Board meeting for the positions of committee chair and vice chair of their respective committees.

Actions to be Taken by the Board of Directors at this Meeting

The Board will consider resolutions to take the following actions:

- (i) Elect members of the Board to fill at-large seats for each of the Board committees.
- (ii) Elect the Chair and Vice Chair for the SL, HCLI, RHC, and Audit committees, and the Chair for the ECC, each as nominated by the respective committees.
- (iii) Elect the Chair and Vice Chair of the Board, the Treasurer of the corporation, and the Secretary of the corporation.
- (iv) Appoint USAC staff members as Assistant Treasurer of the corporation and Assistant Secretary of the corporation.

Recommended USAC Board of Directors Action

APPROVAL OF THE FOLLOWING RESOLUTIONS:

Election of Board Members to Committee At-Large Seats

¹² The Board determined that each vice president shall be designated an officer of the corporation immediately upon his or her assumption of the duties of the position and shall serve as such until his or her employment in such position with USAC terminates for any reason; therefore, these positions are not elected annually. However, the positions of Assistant Secretary and Assistant Treasurer are elected annually.

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

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

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

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Audit Committee**: _____ (representing the HCLI Committee), _____ (representing the RHC Committee), _____ (representing the SL Committee), _____ (at-large member), and _____ (at-large member); and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Nominating Committee and elects the following directors to serve in at-large seats on the **Executive Compensation Committee**: _____ (at-large member), _____ (at-large member), _____ (at-large member), _____ (at-large member) and _____ (at-large member).

Election of Committee Chairs and Vice Chairs

RESOLVED, that the USAC Board of Directors accepts the recommendation of the Schools & Libraries Committee and elects _____ as Chair and _____ as Vice Chair of the **Schools & Libraries Committee**; and

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

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Rural Health Care Committee and elects

_____ as Chair and _____ as Vice Chair of the **Rural Health Care Committee**; and

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

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

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

Election of Board Chair, Vice Chair, Secretary and Treasurer

RESOLVED, that the USAC Board of Directors elects _____ as Chair of the Board and _____ as Vice Chair of the Board, _____ as Secretary of the corporation, and _____ as Treasurer of the corporation, each for a term that begins immediately upon adoption of this resolution and ends when such member's successor has been elected, when such member resigns such position, is removed by resolution of the Board, or is no longer a member of the Board.

Appointment of USAC Staff Members as Assistant Secretary and Assistant Treasurer

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and appoints *Ernesto Beckford* as Assistant Secretary of the corporation and *Charles Salvator* as Assistant Treasurer of the corporation, each for a term that begins immediately upon adoption of this resolution and ends when such person's successor has been appointed, such person resigns from such position, his employment with USAC terminates for whatever reason, or such person is removed by the CEO or by resolution of the Board.

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

ACTION ITEM

**Approval of USAC Common and Consolidated
2nd Quarter 2020 Budgets for the January 31, 2020 FCC Filing**

Action Requested:

The USAC Board of Directors (Board) is requested to approve the 2nd Quarter 2020 (2Q2020) common and consolidated budgets for submission to the Federal Communications Commission (FCC) in USAC’s January 31, 2020 quarterly filing.

Discussion:

The 2Q2020 USAC consolidated budget of \$60.91 million represents approximately 25% of the 2020 annual USAC consolidated budget of \$239.63 million. This includes \$36.95 million in direct program costs and \$23.96 million in common indirect costs.

(\$ in millions)	1Q2020 Budget	Increase/ (Decrease)	2Q2020 Budget
Direct Program & Direct Assigned Costs			
High Cost	\$7.75	(\$0.23)	\$7.52
Lifeline	12.09	0.68	12.77
Rural Health Care	3.19	0.41	3.60
Schools & Libraries	12.16	0.90	13.06
Total Direct Program & Direct Assigned Costs	\$35.19	\$1.76	\$36.95
Common Costs			
Employee Expenses	\$11.91	\$0.42	\$12.33
Professional Services	5.98	(1.25)	4.73
General & Administrative (Note 1)	6.02	0.88	6.90
Total Common Costs	\$23.91	\$0.05	\$23.96
Total Consolidated Costs	\$59.10	\$1.81	\$60.91

Note 1: General & Administrative expenses include computer support & maintenance, rent, hardware & equipment rental, taxes & insurance, printing & postage, Board of Directors expenses, reference materials, repairs & maintenance, telecommunications, and data collection billing revenue.

A comparison of actual common and consolidated expenditures to the budget for the twelve months ending December 31, 2019 is provided in **Attachment 1**.

Recommendation:

USAC management recommends that the Board approve the 2Q2020 budgets as proposed.

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING RESOLUTIONS:

RESOLVED, that the USAC Board of Directors approves a 2nd Quarter 2020 common budget of \$23.96 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$23.96 million for common costs in the required January 31, 2020 filing to the FCC on behalf of the USAC Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2nd Quarter 2020 consolidated budget of \$60.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$60.91 million for consolidated costs in the required January 31, 2020 filing to the FCC on behalf of the USAC Board of Directors.

ATTACHMENT 1

USAC Administrative Costs and Headcount
 Comparison of Actual Expenditures and Headcount to the Budget for the
 Twelve Months Ending December 31, 2019

<i>(\$ in millions)</i>	FTE Actual	FTE Budget	FTE Variance	YTD Actual	YTD Budget	Variance
Direct Program & Direct Assigned Costs						
High Cost	53	56	3	\$13.98	\$21.92	\$7.94
Lifeline	69	70	1	33.31	47.90	14.59
Rural Health Care	56	55	(1)	8.73	9.45	0.72
Schools & Libraries	67	73	6	43.84	55.09	11.25
Total Direct Program & Direct Assigned Costs	245	254	9	\$99.86	\$134.36	\$34.50
Common Costs						
Employee Expenses	325	344	19	\$49.49	\$53.38	\$3.89
Professional Services				13.28	26.37	13.09
General & Administrative (Note 2)				22.73	23.52	0.79
Total Common Costs	325	344	19	\$85.50	\$103.27	\$17.77
Total Consolidated Costs	570	598	28	\$185.36	\$237.63	\$52.27

Note 2: General & Administrative expenses include computer support & maintenance, rent, banking fees, hardware & equipment rental, taxes & insurance, printing & postage, Board of Directors expenses, reference materials, repairs & maintenance, telecommunications, data collection billing revenue, and interest income.

Briefing book excludes all materials discussed in Executive Session.

Shared Services

Board of Directors Meeting

January 28, 2020



Universal Service
Administrative Co.

Available For Public Use

USAC 2019 Annual Report Timeline

Briefing book excludes all materials discussed in Executive Session.

TIMING	ACTIVITY	DUE
December	Shared Services met with Board to discuss annual report content	Completed
January	Shared Services working with programs and leadership to draft content	In Progress
February 3	USAC shares content draft with USAC board and FCC	2/3/2020
February 17	FCC and Board provide feedback on annual report content with USAC	2/17/2020
February 18 – March 26	USAC incorporates Board and FCC feedback into annual report	2/18/2020- 3/26/2020
March 27	USAC Delivers final Annual Report to FCC per MOU	3/27/2020

USAC produces an annual report each year detailing the organization’s financial and program activities.

Available For Public Use

Briefing book excludes all materials discussed in Executive Session.

A photograph of a man and a child standing in a field of tall grass in front of a large, weathered wooden barn. The man is wearing a dark hoodie and a baseball cap, and the child is wearing a plaid shirt. The scene is set in a rural landscape with rolling hills in the background under a clear sky.

CEO Update

Board of Directors Meeting

January 28, 2020



Universal Service
Administrative Co.

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Agenda: CEO Update

Topic	Description	Purpose	Presenter	Length
October 2019 Board and Committee Recaps	Review action items and status from previous Board & Committee meetings	Informational	Radha	5 min
2019 Accomplishment	2019 Program and Enterprise Accomplishments	Informational	Radha	12 min
2020 Initiatives	2020 Program and Enterprise Major Initiatives	Informational	Radha	13 min
Information Technology Update	Impact of IT Reorganization Actions in progress as a result of IT Assessment 2020 Outlook – Key Initiatives	Informational	Kyle	9 min

October 2019 Board Recap

Action items and updates from the previous Board meetings

Activity	Status
<u>Taxes:</u> Provide clarification on how taxes (in particular, taxes applicable to procurements) are accounted for in USAC’s budget	Item will be addressed during annual budget discussion
<u>High Cost Model O&M:</u> Requested additional information on the High Cost Model O&M	Presentation included in High Cost Executive Session
<u>Employee Engagement Survey:</u> Requested employee engagement survey results are presented over time to show trends in responses	Will show trends over time for the next employee engagement results due later this year
<u>Employee Turnover & Retention:</u> Requested the following: 1. Turnover numbers and reasons over time, 2. USAC retention rates compared to other similar organizations 3. USAC retention rate for new college graduate hires vs more experienced employees	Presented in Human Resources Business Update

October 2019 Audit Committee Recap

Action items and updates from the previous Audit Committee meeting

Activity	Status
<u>BCAP</u> : For the AAD Operational Results, (1) provide the cumulative audit recommended recovery and recaptured amounts over the last three years, including the impact of appeals and any timing issues.	This item is addressed in the AAD Business Update.
<u>BCAP</u> : Identify which audit findings are new or novel when the audit reports are presented to the Board.	USAC staff will present new or novel audit findings in the respective committee meetings.
<u>High Cost Audit Backlog</u> : Compile a list of lessons learned from the existing backlog of high cost audits and develop a mitigation plan to present at the January 2020 board meeting.	This item is addressed in executive session.
<u>PQA</u> : In future meetings, provide more time to discuss PQA improper payment results.	USAC staff will present the PQA improper payment results in each respective committee meeting when the PQA results are available in October 2020.

October 2019 Schools and Libraries Committee Recap

Action items and updates from the previous Schools and Libraries Committee meeting

Activity	Status
<p><u>FY 2019 Fiber Applications</u>: When presenting data on fiber applications and commitments, break out the number and dollar amounts for self-construction vs. special construction.</p>	<p>Content provided in the Schools and Libraries Business Update.</p>
<p><u>FY 2019 E-rate Broadband Report</u>: The Committee requested that USAC management seek FCC approval to allow Board members to inspect USAC’s FY 2019 E-rate Broadband Report, in accordance with the Procedures for Requests by Board Members for Non-Public Information.</p>	<p>Note: The data used to create the report is available on USAC’s open data platform, but the Board requested to see the full report, which is not public information and is a work product by USAC for the FCC (and therefore an FCC Record).</p>

October 2019 High Cost and Low Income Committee Recap

Action items and updates from previous HCLI Committee meetings

High Cost

Activity	Status
<u>High Cost O&M Model</u> : Requested additional information on the High Cost O&M Model	Content provided in iHCLI03.

Lifeline

Activity	Status
<u>National Verifier</u> : Document Submission Stats	Content provided in Lifeline Business Update.
<u>National Verifier</u> : 2020 Focus	Content provided in Lifeline Business Update.

2019 Accomplishments

Schools and Libraries

- Successfully transitioned all operational areas to new BPO vendor that will result in significant operational cost savings over a five-year period
- Achieved 95% Sept 1 PIA benchmark as set by FCC
- Largest first PIA Wave issued in April with 18,515 applications for \$530M
- Held 11 training events across the country for applicants, service providers, and tribal stakeholders attended by 1,400 participants
 - 77% of 524 participants submitting evaluations found the training helpful overall
 - 69% of 524 participants submitting evaluations found the content very effective

Rural Health Care

- Launched RHC Open Data offering, adding two datasets (commitments and disbursements, and posted services)
- Completed FY18 workable commitments in June, which included implementing FCC Order 19-45 on multi-year/upfront applications in under 10 days
- Created comprehensive strategy to implement 2019 RHC Program Reform Order, utilizing project management best practices and incorporating lessons learned from other programs
- Began assessment of RHC business and operations, which will inform longer term operational and system strategies and IT roadmaps

2019 Accomplishments

Lifeline

- Delivered on the 2016 Lifeline Order's expectation to launch the National Verifier (NV) in all states, and territories by December 31, 2019 with significant cost efficiency
 - 38 hard launched / 18 soft launched
- Achieved 2 federal connections including HUD and CMS and 15 state database connections
- Launched the NV Carrier API, allowing carriers who sign an Interconnection Security Agreement with USAC to submit applications using an automated interface
 - First application received on 12/11; 150,000 applications received via API through 12/31

High Cost

- Implemented 64 High Cost-related FCC Orders and Notices requiring 37 system or process changes.
- Developed and Implemented the HUBB Bulk Modification to address US Telecom Request.
- Completed development of Performance Measures subscriber upload and randomizer

2019 Accomplishments

Enterprise:

- Launched updated USAC website which improves search functionality and made key information readily available
- Successfully completed third-party E-Gov assessment and developed IT roadmap for 2020 and beyond
- Completed the final phase of the transfer of USF Cash to U.S Treasury in August 2019
- “Material weakness identified in FY 2018 downgraded in FY2019 FCC Agency Financial Report”
- Established Fraud Risk Group in the USAC Office of General Counsel, which will assist in implementing the GAO Fraud Risk Framework
- Released 85 Beneficiary and Contributor Audit Program (BCAP) audits
- Implemented modernized IT staffing strategy to better utilize professional services and manage contractors
- Executed a summer intern program, successfully initiated a college recruiting strategy and staffed incubator teams to balance the organization and expand internal knowledge base
- Obtained Authorization to Operate (ATO)/Risk acceptance for all USAC systems

2020 Initiatives

Schools and Libraries

- Implement Category Two (C2) budget requirements for transition year FY 2020
- Execute the FCC 470 Drop Down Menu for FY 2021
- Create strategy to internally review subsets of operational transactions to gain insights into process and systems roadblocks and propose procedural improvements and system enhancements

Rural Health Care

- Begin Reform Order Implementation
 - Implement My Portal changes for FY 2020
 - Build and deploy rates databases
- Complete Business and Operations Assessment using results to inform RHC strategy and planning, including the IT roadmap

2020 Initiatives

Lifeline

- Hard Launch the National Verifier in remaining 18 states
 - Complete reverification of all existing subscribers
 - Scale up operations to meet volumes of a fully implemented framework
- Conduct the Lifeline Risk Assessment and Program Evaluation

High Cost

- Develop and Implement High Cost Eligible Locations Adjustment Process (ELAP)
 - Collect and validate current and prospective location data and evidence
 - Verify location data submissions against multiple data sources
 - Publish Participant served / prospective location data maps
 - Collect Challenge data and evidence
 - Adjudicate challenges
 - Provide reporting and analytics on Participant / Stakeholder process activities

Enterprise

- Begin ERP (Addressing the feasibility of an ERP solution that will enable consolidation of all financial activities under one umbrella)
- Continue evidence based internal policy making by completing the Data Warehouse
- Pilot GAO Fraud Risk program in High Cost as a model for future implementation in all programs.
- Begin implementation of Supply Chain Order (Discussed in Executive Session)
- Develop IT Modernization based on the E-Gov assessment

IT Reorganization Impact and Assessment Actions

IT REORGANIZATION & PROCESS CHANGES	IMPACT
Business Relationship Managers	<ul style="list-style-type: none"> • Single Point of contact for each Business Unit for IT Services • Streamlines communication, roles, & responsibilities
Adjusting Staffing Model	<ul style="list-style-type: none"> • Moving from augmented Staff to Professional Services • Changing and distinct roles for staff in a “Managed Services” type model
Increased Requirements & Technical Design discipline	<ul style="list-style-type: none"> • Formal artifacts, FCC checkoff, additional approval gates • FCC Coordination • Facilitates professional services system acquisition model

IT ASSESSMENT	ACTIONS
Consolidate financial functions across USF programs	<ul style="list-style-type: none"> • Financial functions analysis and ERP initiative
Retire Obsolete Systems and Technologies	<ul style="list-style-type: none"> • Legacy Schools and Libraries – Invoice processing replacement
Increase Automation	<ul style="list-style-type: none"> • Match process and workflow tools to manual processes
Modernization	<ul style="list-style-type: none"> • RHC Systems, High Cost Calculation Engine
Leverage New Technologies	<ul style="list-style-type: none"> • Business Rules, AI, Security Access mechanisms, Forms



High Cost	<ul style="list-style-type: none"> • Eligible Locations Adjustment Process (ELAP) • Performance Measures (Phase 2 & 3) 	<ul style="list-style-type: none"> • Solidifying Requirements to meet delivery Schedule
Lifeline	<ul style="list-style-type: none"> • Build Replica of Model Office/Preproduction Environment 	<ul style="list-style-type: none"> • NV resides on the ServiceNow and the Accenture Insights Platform • Transfer of Knowledge from Accenture to USAC • Developing an Operational/Support USAC Team
RHC	<ul style="list-style-type: none"> • New Modernization Order system capabilities • RHC prototype with the use of Business Rules and ERP 	<ul style="list-style-type: none"> • Unknowns revolving around ERP technology/interfaces, centralized business rules, and simultaneously incorporating new FCC requirements
E-rate	<ul style="list-style-type: none"> • FCC Form 470 (Services Requested) enhancements for an improved user experience • Holds / Watch Automation • Enhance Wave Process to improve Commitment speed • E-Rate Legacy System retirement plan 	<ul style="list-style-type: none"> • The E-Rate Legacy system contains the invoicing system for all fund years which will require a complete and thoughtful retirement and transition plan
Infrastructure	<ul style="list-style-type: none"> • Analysis of Financial Mgmt operations across USF programs with improved integration and technology centered around an ERP • Address gaps in technology (EGov Assessment): Business rules management, Process Automation • Address aging applications – HC Disbursements Calculation engine, Schools Legacy System invoicing (via ERP), RHC applications, USF Finance applications (via ERP) • Populate Enterprise Data Warehouse for cross-program Business Intelligence & centralized data access • Grow cloud footprint - Extend current USF applications to public cloud 	<ul style="list-style-type: none"> • Incorporating custom financial processes, applications, and USF business rules into a Commercial off the Shelf (COTS) ERP • Resourcing the replacement of aging applications under budget constraints