Briefing book excludes all materials discussed in Executive Session

# Executive Committee Meeting

## Briefing Book

Thursday, July 19, 2018

11:00 a.m. - 12:30 p.m. Eastern Time

Universal Service Administrative Company Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

# Universal Service Administrative Company
# Executive Committee Quarterly Meeting
# Agenda

**Thursday, July 19, 2018**
**11:00 a.m. – 12:30 p.m. Eastern Time**
**USAC Offices**
**700 12th Street, N.W., Suite 900**
**Washington, D.C. 20005**

| | **OPEN SESSION** | *Estimated Duration in Minutes* |
|---|---|---|
| Chair | Introductory Comments | 5 |
| Chair<br><br>Ernesto | **a1.** Consent Items (each available for discussion upon request)<br>**A.** Approval of Executive Committee Meeting Minutes of April 19, 2018<br>**B.** Approval of moving all ***Executive Session*** items into ***Executive Session*** | 5 |
| Radha<br><br>Charlie<br><br>Patsy | **i1.** Business Update – **Confidential** – ***Executive Session Recommended***<br>A. Update on Cash to Treasury and Treasury Offset Program<br>B. Overview of July Board Agenda | 35 |

| | **EXECUTIVE SESSION** | *Estimated Duration in Minutes* |
|---|---|---|
| Radha | **i2.** Business Update – **Confidential** – ***Executive Session Recommended***<br>**A.** Discussion of FCC-USAC Memorandum of Understanding | 5 |
| Charlie | **i3.** Information on Contribution Factor – **Confidential** – ***Executive Session Recommended*** | 15 |
| Radha | **i4.** Discussion of FCC-USAC Executive Committee Quarterly Meeting – **Confidential** – ***Executive Session*** | 15 |

**Next Scheduled USAC Executive Committee Meeting**

**Thursday, October 25, 2018**
**11:00 a.m. – 12:30 a.m. Eastern Time**
**USAC Offices, Washington, D.C.**

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

**EXECUTIVE COMMITTEE MEETING**
**Thursday, April 19, 2018**

**(DRAFT) MINUTES**[1]

The quarterly meeting of the USAC Board of Directors (Board) Executive Committee (Committee) was held at USAC's offices in Washington, D.C. on Thursday, April 19, 2018. Mr. Joel Lubin, Chair of the Committee, called the meeting to order at 11:02 a.m. Eastern Time with a quorum of all eight Committee members present.

Domenech, Dr. Dan – *by telephone*
Feiss, Geoff – *by telephone*
Gillan, Joe – Vice Chair *by telephone*
Jacobs, Ellis – Secretary *by telephone*
Lubin, Joel –Chair – *by telephone*
Mason, Ken – Treasurer – *by telephone*
Sekar, Radha – Chief Executive Officer
Wibberly, Dr. Kathy – *by telephone*

Other Board members and officers of the corporation present:

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

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

Others present:

| NAME | COMPANY |
|---|---|
| Ayer, Catriona | USAC |
| Hutchinson, Kyle | USAC |
| King, Lauren | USAC |
| Mitchell, Tamika | USAC |
| Nuzzo, Patsy | USAC |
| Tomlin, Nicole | USAC |

## OPEN SESSION

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

**i1. Introductory Comments.** Mr. Lubin thanked members of the Committee and Board for participating and also thanked Ms. Sekar for her follow-up on requests made by the Board at the January quarterly meetings.

**a1. Consent Items.** Mr. Lubin presented this item to the Committee.

A. Approval of Executive Committee Meeting Minutes of January 25, 2018.

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

(1) i2 – Business Update. USAC management recommends that this matter be discussed in ***Executive Session*** because the report relates to USAC's ***procurement strategy and contract administration, pre-decisional matters pending before the FCC, and may also include discussion of personnel matters and attorney/client privileged communications***.

(2) i3 – Information on USAC Annual Common Budget.
i4 – Information on Contribution Factor. USAC management recommends that these matters 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***. Item i3 also relates to USAC's ***procurement strategy and contract administration***.

(3) i5 – Discussion of FCC-USAC Executive Committee Quarterly Meeting. USAC management recommends that this item be discussed in ***Executive Session*** because it may include ***confidential company data, and pre-decisional matters pending before the FCC***.

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

**RESOLVED**, that the USAC Board of Directors Executive Committee hereby approves: (1) the Committee meeting minutes of January 25, 2018; and (2) discussion in ***Executive Session*** of the item noted above.

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

**EXECUTIVE SESSION**

**i2.** **Business Update.** Ms. Sekar presented these items to the Committee for discussion.
A. Action Items from the January Quarterly Meetings.
B. Reorganization.

**i3.** **Information on USAC Annual Common Budget Methodology.** Mr. Salvator presented this item for discussion.

**i4.** **Information on Contribution Factor.** Mr. Salvator presented this item for discussion.

**i5.** **Discussion of FCC-USAC Executive Committee Quarterly Meeting.** Ms. Sekar presented this item, noting that members of the Executive Committee could share concerns and conduct discussions regarding their specific areas.

At 12:19 p.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from ***Executive Session*** and immediately reconvened in ***Open Session***, at which time Mr. Lubin reported that in ***Executive Session***, the Committee discussed items i2, i3, i4, and i5. On a motion duly made and seconded, the Committee adjourned at 12:20 p.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

# Universal Service Administrative Company
# Executive Committee Meeting

## ACTION ITEM

### Consent Items

**Action Requested**

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

**Discussion**

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

A. Committee meeting minutes of April 19, 2018 (*see* **Attachment A**).

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

(1) i2A – Business Update. Discussion on the FCC and USAC Memorandum of Understanding. USAC management recommends that this matter be discussed in ***Executive Session*** because it is subject to the ***attorney/client privilege***.
(2) i3 – Information on Contribution Fund Analysis and Contribution Factor. USAC management recommends that this matter 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***. Item i3 also relates to USAC's ***procurement strategy and contract administration***.
(3) i4 – Discussion of FCC-USAC Executive Committee Quarterly Meeting. USAC management recommends that this item be discussed in ***Executive Session*** because it may include ***confidential company data, and pre-decisional matters pending before the FCC***.

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

**Recommended USAC Executive Committee Action**

APPROVAL OF THE FOLLOWING RESOLUTION:

**RESOLVED**, that the USAC Board of Directors Executive Committee hereby approves: (1) the Committee meeting minutes of April 19, 2018; and (2) discussion in ***Executive Session*** of the items noted above.

Briefing book excludes all materials discussed in Executive Session

# CEO Business Update

## Executive Committee Meeting

## July 19, 2018

Universal Service Administrative Co.

# Agenda

| Topic | Description | Purpose | Presenter | Length |
|---|---|---|---|---|
| Action Items | Action Items From April quarterly Board and Committee meetings | Informational | Radha | 5 min |
| Goals and Objectives | Review of major corporate goals & objectives | Informational | - | - |
| Reorganization | Review of the organization of USAC and intended impact | Informational | Radha | 2 min |
| 2018 USAC Deliverables | USAC at a glance | Informational | Radha | 5 min |
| CEO Roundtable | Status update | Informational | Radha | 8 min |

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# Action Items from April 2018 Meetings

Action items and updates from the previous Board and Committee meetings

| Item | Purpose | Status |
|---|---|---|
| **Specific Content Requested** | | |
| Send audit reports in advance | Allow Board additional time to read lengthily reports. | Audit reports are now being distributed monthly as the reports are final. Audit reports where the beneficiary/filer disagreed with a finding were added to briefing books in BoardEffect for the Board/Committee meetings. |
| Additional discussion on the audit survey results | Better understand beneficiaries responses to the audits | See Audit Business Update. |
| Audit chart showing frequency of findings should also show the percentage of findings | Increase clarity of the report | See Audit Business Update. |
| Requested number of schools that do not apply for E-rate and the number of fiber requests for urban vs rural schools | Better understanding of applicant requests and participation in program | See Schools and Libraries Update. Provided Urban/Rural Breakdown and Special Contraction vs Self-Provisioned Funding Requests and Charter vs Private School Fiber Participation. |
| Requested root cause of fiber denials and the percentage that were special constructions vs self provisioning | Understand the common thread of fiber application denials/cancellations | See Schools and Libraries Update. |
| Should USAC have told RHC applicants that the level of scrutiny changed ? | Clarity for stakeholders | Documents to be discussed in Rural Health Care Update. |

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# Action Items from April 2018 Meetings

Action items and updates from the previous Board and Committee meetings

| Item | Purpose | Status |
|---|---|---|
| **Changes/Modifications Requested** | | |
| Lifeline National Verifier (NV) – How many days do carries have before NV goes live? | Clarity for states and service providers | Soft launch went live on June 18. Although USAC was unable to notify service providers or states, a part of the soft launch timeframe allows them to test and prepare prior to the hard launch, when it will be required that service providers us NV as it is available. |
| Cash to Treasury | Provide Board with update and materials that they can share with stakeholders | Emails were distributed on April 30 and May 2 that provided updated content and dates that the materials could be shared. Also see Cash to Treasury Update. |
| Implementation of Data Strategy | Provide an update on Data Governance and Open Data | See EPMO Update. |
| Planning the annual report earlier | Allow time for input from Board on the annual report | Project plan to will be shared with the Board at the October quarterly meetings. |
| Updating contact information in USAC systems | Create an access database and work with key stakeholders to identify both the primary and business points of contact | Under review. |
| Call Center launch, reporting and tracking | Ensure a smooth transition for stakeholders and identify a way to measure satisfaction rates as well as number of calls escalated above Tier 1 or 2 | See Shared Service Call Center Update. |

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# Action Items from April 2018 Meetings

Action items and updates from the previous Board and Committee meetings

| Item | Purpose | Status |
|---|---|---|
| **Changes/Modifications Requested** | | |
| Role of Board / Participation at Board and Committee meetings | • Have sections of the Board meetings where we have a dialogue about issues<br>• Incorporate stakeholder feedback for major system modifications and testing | • Beth and Joel provided input on the summary review to assist in transparency of procurements. Implemented at the May 30, 2018 High Cost and Low Income non-quarterly meeting.<br>• For the FCC Form 470 drop down window – conducted focus groups to collect feedback from stakeholders – participants included members of CenturyLink, University System of Georgia, E-rate ProfitWerks, and CSM Consulting. |
| USAC Applications | Identify USAC applications, costs and problem areas | Will provide update in October. |

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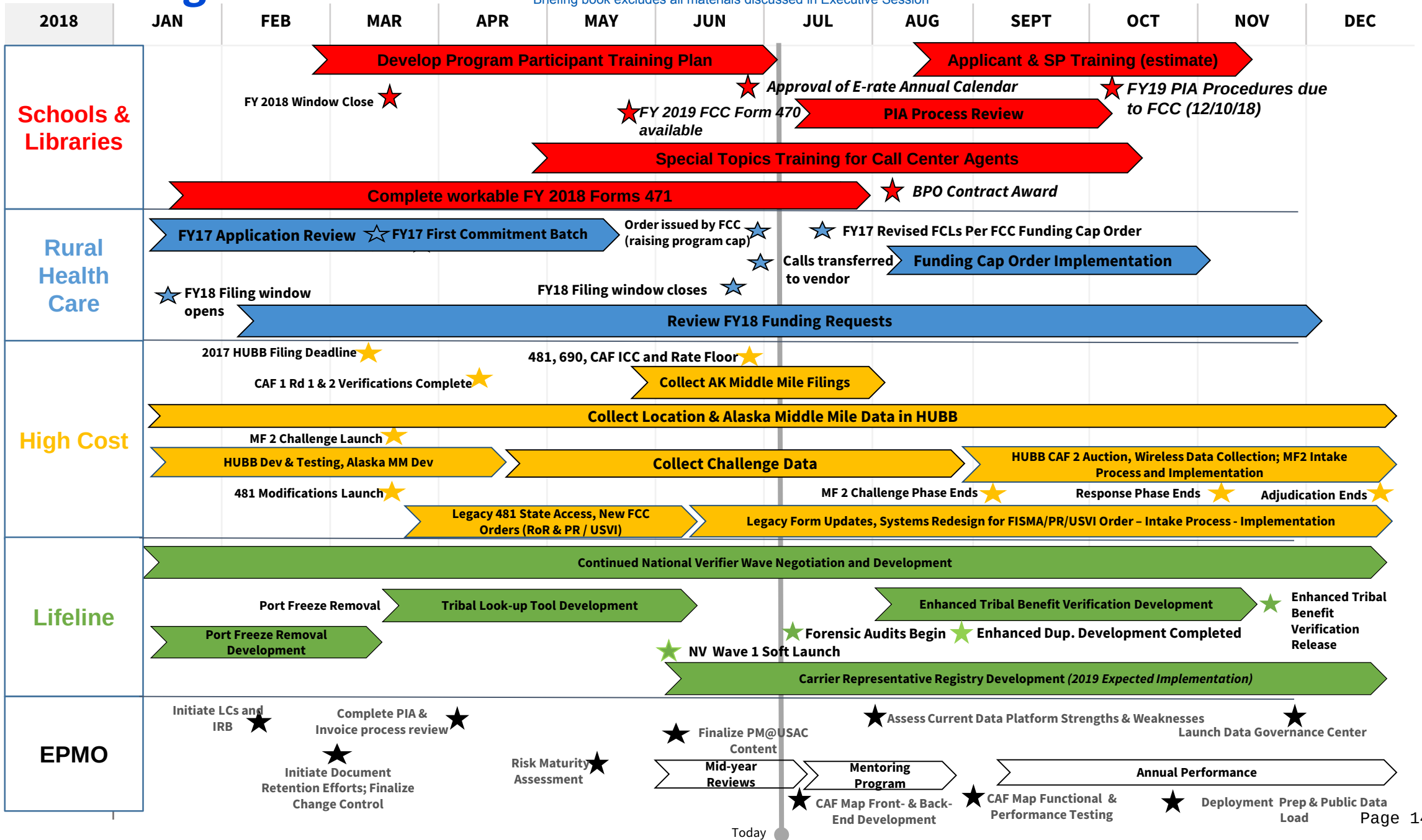
# Goals & Objectives

Helping households obtain the voice and broadband connectivity services they need to participate and function in today's digital world.

| Goals | Objectives / Outcomes | How USAC will meet the goal |
|---|---|---|
| **Operational Efficiency** | To continuously improve the efficiency and effectiveness of business processes. | • Roll out a USAC wide knowledge management framework.<br>• Through governance, establish processes that are simple, fast and efficient. |
| **Customer Experience** | To strengthen the experience of everyone who participates in our programs. | • Timely and quality resolution of customer issues and concerns to their satisfaction.<br>• Resolve and respond to high level highly visible inquires. |
| **Program Integrity** | To monitor, implement controls and proactively detect opportunity to prevent fraud, waste and abuse. | • Increase the trust of FCC, Public, and Congress in our programs. |
| **Mission Critical Performance –Focused Culture** | Create an environment where FCC direction and USAC goals are designed and implemented in the best and most timely fashion. | **Programs:** **HC**-MF2 Challenger Launch/CAF 2 Verification / **LL** –NV Hard Launch / **SLD** – Successful completion of E-Rate program improvements & funding commitment / **RHC**-Funding decisions for 2017 & 2018.<br><br>**Enterprise:** **OGC**- Enter into new MOU with the FCC / **Finance**-Cash to Treasury and annual audit / **IT-** 2018-19 Road Map, FISMA / **IAD**- Forensic Audit & new A123 Enterprise Internal Audit / **EPM-** CAFMAP / **Procurement-** BPO for SLD, 2018-19 Acquisition Plan / **HR**- College / Entry level recruiting plan / **Shared Services-** Implement Call Center. |
| **Employee Engagement – (People Manager)** | To ensure USAC employees feel a greater commitment to the organization. Ensuring that USAC becomes an employer of choice. | • Improve communication with employees to create a culture of feedback and transparency.<br>• Create alignment on enterprise wide performance to ensure performance is rewarded and all staff are held accountable and supported. |

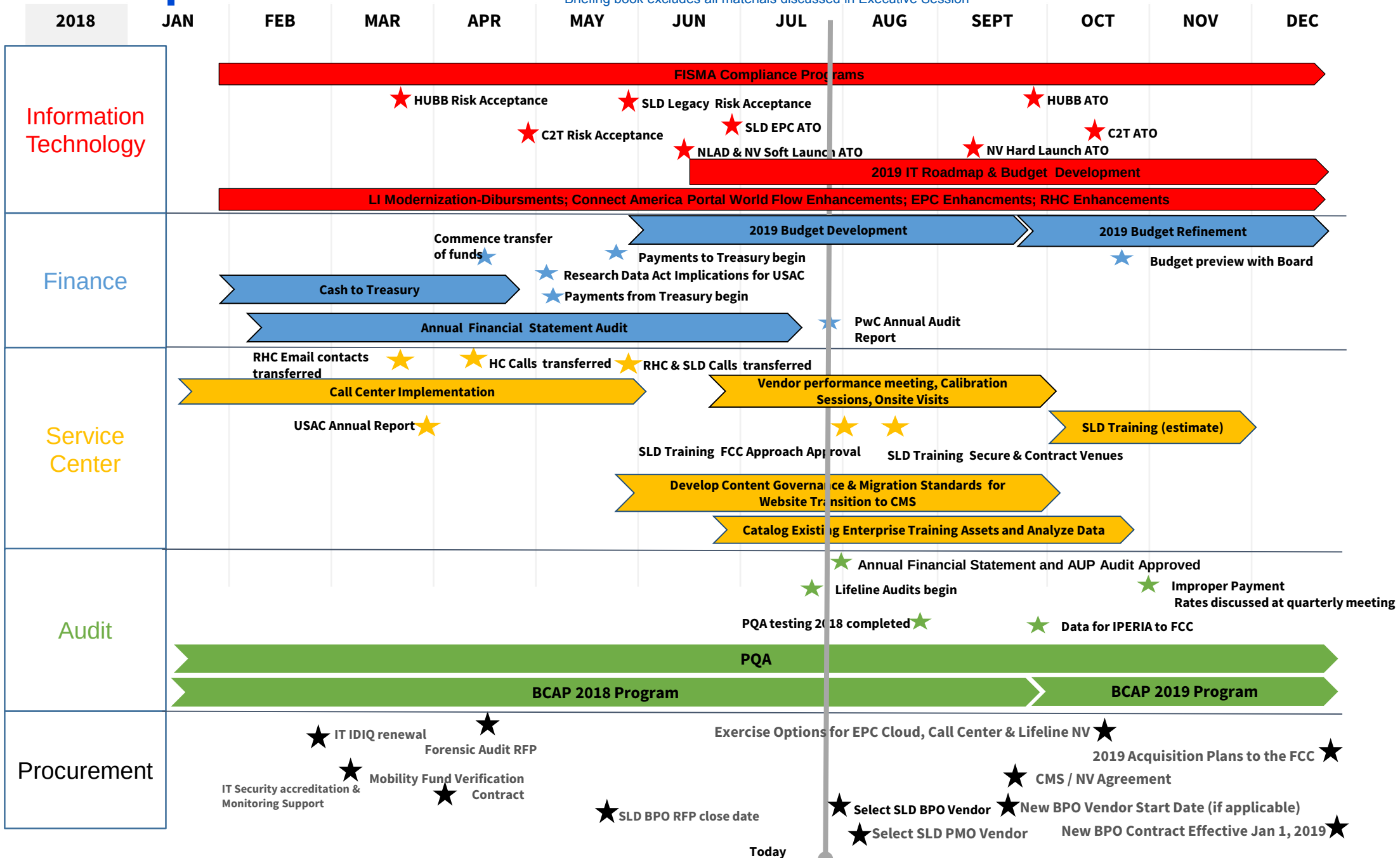
# USAC Programs at a Glance

Briefing book excludes all materials discussed in Executive Session



# USAC Operations at a Glance

Briefing book excludes all materials discussed in Executive Session



# CEO Roundtable Update

Briefing book excludes all materials discussed in Executive Session

- AASA – The School Superintendents Association
- AT&T
- Comcast
- CTIA – The Wireless Association
- NCTA
- Schools
- Libraries
- SECA
- USTelcom

# CEO Roundtable Update

Briefing book excludes all materials discussed in Executive Session

## Themes

### Technology

- EPC has been a challenge in the past but it has been better this year – Rural Health Care is manual.
- Turbo Tax for EPC - That helps you clarify questions and answers to better explain fields.
- Include set of stakeholders / service providers in confirming requirements and beta testing.
- Discuss IT changes in advance to allow companies time to prepare interfaces.
- IT Roadmap would help so we can discuss how to partner to together.

### Communications/Outreach/Training

- Structured, consistent outreach and communications to/from USAC - Quarterly communications.
- A communication loop for stakeholders to give USAC feedback before any roll outs.
- Service provider and applicant training/outreach that fits the needs of new and advanced users.
- FCC Form 498 contacts are invoicing people – need a 2nd point of contact that is copied on all communications to make sure information gets to the proper person.
- Critical technology announcements should be included in newsletters or alerts.
- Website needs better search mechanisms for participants.
- A miniscule item on red light could prevent a provider from bidding on an auction.

### Data

- USAC doesn't see service providers as customers.
- Streamlining audit and reporting process.
- Want more open data available.

Briefing book excludes all materials discussed in Executive Session

# Information on Cash to Treasury and Treasury Offset Program

Executive Committee Meeting

July 19, 2018

Universal Service Administrative Co.

# Progress to Date (through June 30, 2018)

Briefing book excludes all materials discussed in Executive Session

- Successfully transferred $3.8 billion to the U.S. Treasury from investments.
- Successfully transferred $1.1 billion to the U.S. Treasury from collections.
- Successfully received $423.9 million in contributions through the new system (Treasury).
- Successfully disbursed $1.3 billion to service providers and applicants through the new system (Treasury).

# Treasury Offset Program (TOP)



- USF disbursements through Treasury are subjected to TOP where monies owed to the government are deducted from the disbursement.
  - TOP Rules
    - Debts (at least 90 days delinquent) are submitted to Treasury for collection.
    - Recipients are provided 60-days notice by Treasury of intent to offset.
    - Recipients are notified by Treasury when the disbursement is offset.
  - USAC's Role
    - USAC is not informed of Treasury's intent to offset.
    - USAC cannot determine which government agency is receiving the offset funds.
  - Additional information can be found at https://www.fiscal.treasury.gov/top.
- Impact
  - USAC has limited visibility into TOP offsets.
  - USAC manually researched the top 42 Lifeline recipients, which received $94M. Only 7 were offset for a total of $159K, or 0.2%.

# Next steps



- Continue to work with approximately 10 large companies with 177 filer IDs still working through the ACH payment process.  All contributors must be on the new collections system by August 1, 2018.
- Review and sign a new custodial agreement with Bank of America to manage transfer of cash from remaining securities through August 2019 ($2.7 billion to be transferred through August 2019).