

2005 Audit Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

January 19, 2005 Part I

MINUTES

Part I of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Wednesday, January 19, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 1:33 PM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Four of the five members of the Committee were present, representing a quorum:

Eichler, Ed - Chair - by telephone
Hess, Kevin - by telephone
Hughes, Alison - by telephone
Sanford, Jo Anne- by telephone

Other Board Members and Officers of the Corporation present

Zaina, Lisa - USAC Board Member and CEO - by telephone
Barash, D. Scott - Vice President and General Counsel
Flannery, Irene - VP, High Cost and Low Income Division
Haga, Robert - Assistant Secretary; VP, Strategic Planning & USAC Operations
McDonald, George - VP, Schools & Libraries Division
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Ashe-Donnem, Caroline	USAC
Bayona, Janet	USAC
Beach, Cynthia	USAC
Bellavia, Leslie	USAC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Dunn, Amanda	USAC
Helbing, Jeremy	USAC
Lamoureux, Renee	USAC
Lenhardt, Chris	USAC
McCrone, Christina	USAC
Miller, Linda	USAC
Murphy, Kristin	USAC

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Audit Committee meetings of Thursday, October 14, 2004, and Monday, October 18, 2004.
- a2. Annual Election of Committee Chair and Vice Chair.** Mr. Eichler introduced this item. Ms. Sanford nominated Mr. Eichler to remain as Chair of the Committee. Mr. Eichler nominated Ms. Sanford to service as the Committees Vice Chair.

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

RESOLVED, That the USAC Audit Committee recommends that the USAC Board of Directors elect **Mr. Edwin Eichler** as Chair and **Ms. Jo Anne Sanford** as Vice Chair of the USAC Audit Committee for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting.

- a3. Action on Four Internal Audit Division Follow-Up Audits Done on Contributor Revenue Audits Performed by Deloitte & Touche - Confidential and Proprietary - *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that the Contributor Revenue Follow-Up Reports be discussed in ***Executive Session*** because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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. In addition, 47 C.F.R. 54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the Contributor Revenue Follow-Up Reports labeled CR2004FL007, CR2004CL009, CR2004FL013, and CR2004FL015 shall be conducted in ***Executive Session***.

See ***Executive Session*** for a report of the discussion and action taken on this ite

- a4. Action on Financial Internal Control Audit Report- Confidential and Proprietary - *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended discussion of this matter be conducted in ***Executive Session*** as discussion of specific audit plans, targets and/or techniques would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the Financial Internal Control Audit

Report US2004OP003 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

- a5. Action on One USAC Operational Audit Report.** Mr. Scott introduced this item to the Committee indicating USAC IAD will provide an update on the status of the resolution of the audit findings at a future meeting. Committee members indicated that they preferred the new presentation format for operational audit reports.

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

RESOLVED, That the USAC Audit Committee, having reviewed the USAC Internal Audit Division USAC Operational Audit Report labeled US2004OP002, together with managements response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

- a6. Annual Report and Approval of Revised Audit Committee Charter and Audit Committee Meeting Planner.** Mr. Scott introduced this item to the Committee.

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

RESOLVED, That the USAC Audit Committee, having reviewed the current Audit Committee Charter and Audit Committee Meeting Planner as presented by USAC Internal Audit Division and agrees that revisions are not required, recommends that the USAC Board of Directors renews the approval granted by the Board of Directors on January 27, 2004.

- a7. Miscellaneous.**

Solicited ideas for January 2006 Committee Agenda.

At 1:49 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a3. Action on Four Internal Audit Division Follow-Up Audits Done on Contributor Revenue Audits Performed by Deloitte & Touche - Confidential & Proprietary.** Ms. Ashe-Donnem introduced the four Internal Audit Division follow-up reports to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the four USAC Internal Audit Division Contributor Revenue Follow Up Audit Reports labeled CR2004FL007, CR2004CL009, CR2004FL013, and CR2004FL015 be deemed final.

- a4. Action on Financial Internal Control Audit Report- Confidential and Proprietary.** Mr. Scott presented the results of the audit to the Committee and amended the conclusion of the report to indicate that, while management disagrees with some findings contained in the report, USAC IAD maintains that the findings in question are valid.

On a motion duly made and seconded, the Committee adopted the following resolutions.

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the Audit Report labeled US2004OP003, together with managements response thereto, be deemed final.

At 1:54 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 1:55 p.m.

_____/s/ Robert W. Haga_____

Robert W. Haga Assistant Secretary

____April 18, 2005_____

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

January 24, 2005 Part II

MINUTES

Part II of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Monday, January 24, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 5:03 PM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. All five members of the Committee were present, representing a quorum:

Campbell, Anne â€“ Vice Chair

Eichler, Ed â€“ Chair

Hess, Kevin

Hughes, Alison ;One member joined the meeting in progress:

Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Zaina, Lisa â€“ USAC Board Member and CEO

Barash, D. Scott â€“ Vice President and General Counsel

Flannery, Irene â€“ VP, High Cost and Low Income Division

Haga, Robert â€“ Assistant Secretary; VP, Strategic Planning & USAC Operations

McDonald, George â€“ VP, Schools & Libraries Division

Scott, Wayne â€“ VP, Internal Audit Division

NAME

Ashe-Donnem, Caroline

Bayona, Janet

Beach, Cynthia

Bellavia, Leslie

Chou, Elizabeth

Delmar, Teleshia

Dunn, Amanda

Falkowitz, Ed

Helbing, Jeremy

Lamoureux, Renee

Lenhardt, Chris

McCrone, Christina

Miller, Linda

Murphy, Kristin

Stephens, Mark

ACTION ITEMS:

- a1. Approval of the 2005/2006 USAC Internal Audit Plan – Confidential & Proprietary – Executive Session Recommended.** Mr. Barash recommended discussion of the 2005/2006 USAC Internal Audit Plan be held in *Executive Session*, in accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session* as discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the 2005/2006 USAC Internal Audit Plan shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a2. Action on One High Cost Support Mechanism Beneficiary Audit Reports.** Mr. Eichler noted that this audit report and the remaining reports before the Committee at this meeting had all been presented to the programmatic committees at their meetings earlier in the day and at the January 19, 2004 meeting of the Executive Committee. No further discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2004BE005 be deemed final.

- a3. Action on Two Low Income Support Mechanism Beneficiary Audit Reports.** No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2004BE005 and LI2004BE006 be deemed final.

- a4. Action on Six Rural Health Care Support Mechanism Beneficiary Audit Reports.** No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Rural Health Care Committee and directs that the 2004 Agreed Upon Procedures Reports (Audit Nos. RH2004BE018, RH2004BE019, RH2004BE020, RH2004BE021, RH2004BE022, and RH2004BE023) of Rural Health Care Support Mechanism beneficiaries be deemed final.

a5. Action on Sixteen Schools and Libraries Support Mechanism Beneficiary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the 16 USAC Internal Audit Division Schools & Libraries Support Mechanism Beneficiary Audit Reports labeled SL2004BE010, SL2004BE011, SL2004BE012, SL2004BE013, SL2004BE014, SL2004BE015, SL2004BE016, SL2004BE017, SL2004BE018, SL2004BE019, SL2004BE020, SL2004BE021, SL2004BE022, SL2004BE023, SL2004BE024 and SL2004BE025 be deemed final.

a6. Action on Two Schools and Libraries Support Mechanism Operational Audit Reports. “ Confidential & Proprietary ” **Executive Session Recommended.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended discussion of audit reports be held in **Executive Session** because discussion of the audit reports relate to specific internal controls, and/or confidential company data would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the USAC Internal Audit Division Schools & Libraries Support Mechanism operational audit reports labeled SL2004OP048 and US2004OP002 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

a7. Action on One FCC OIG Schools and Libraries Support Mechanism Beneficiary Audit Report. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the Federal Communications Commission, Office of Inspector General, Schools & Libraries Support Mechanism Beneficiary Audit Report labeled SL2004BE049 be deemed final.

a8. Action on Schools and Libraries Support Mechanism KPMG LLP Agreed Upon Procedures Summary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the KPMG LLP Schools & Libraries Support Mechanism Summary agreed-upon procedures beneficiary audit report labeled SL2004BE050 be deemed final.

a9. Action on Two Internal Audit Division Follow Up Audits on Audits Performed by KPMG. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the USAC Internal Audit Division Schools & Libraries Support Mechanism Follow-Up Audit Reports labeled SL2004FL026 and SL2004FL027 be deemed final.

a10. Miscellaneous.

Solicit Ideas for April Committee Agenda. Mr. Eichler reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him, or Mr. Scott, between quarterly meetings.

INFORMATION ITEMS:

i1. Report on Postponement of a Contributor Audit – Confidential & Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that discussion of this item be conducted in **Executive Session** because the audit relates to specific contributor revenue information, and/or confidential company data that would constitute a discussion of internal rules and procedures concerning the administration of the universal service mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all contributor specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the status of a contributor revenue audit shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion taken on this item.

i2. Annual Executive Session with USAC’s Vice President of the Internal Audit Division – Confidential & Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that this matter be discussed in **Executive Session** pursuant to the guidelines in the approved Audit Committee Charter, with only the Vice President of Internal Audit and Committee members present.

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

RESOLVED, That the USAC Audit Committee determines that the annual meeting with USAC’s Vice President of Internal Audit required by the USAC Annual Audit Charter shall be conducted in **Executive Session**, with only Committee members and the Vice President of the Internal Audit Division present.

See **Executive Session** for a report of the discussion taken on this item.

i3. Miscellaneous. None.

At 5:08 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

Committee member Ms. Sanford joined the meeting during the discussion of the following item.

- a1. Approval of the 2005/2006 USAC Internal Audit Plan – Confidential & Proprietary.** Mr. Scott introduced this item and reviewed the proposed two-year audit plan. He noted that this two year audit plan would allow more flexibility over audits when audit objectives and scopes require revision without affecting the scheduling of other audits included in the plan.

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

RESOLVED, That the USAC Audit Committee accepts the recommendations of the USAC Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee to include in the 2005/2006 USAC Internal Audit Plan the proposed plans for programmatic beneficiary audits for 2005/2006 as presented by the USAC Internal Audit Division and approved by each Committee at their respective meeting on January 24, 2005; and

RESOLVED FURTHER, That the USAC Audit Committee approves the 2005/2006 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

- i1. Report on Postponement of a Contributor Audit – Confidential & Proprietary.** Mr. Scott shared information regarding the early on-site fieldwork termination of a contributor revenue audit. Mr. Scott also provided an update on the audit. He explained that IAD was accompanied on the second site visit date by FCC Office of Inspector General staff and that fieldwork was completed on January 13, 2005.

The Board recessed from **Executive Session** and reconvened in open session at 5:26 p.m. to report the discussions and actions of the Committee during **Executive Session**.

At 5:28 p.m., Mr. Eichler requested that everyone except the Committee members and the Vice President of Internal Audit vacate the room. On a motion duly made and seconded, the Committee reconvened in **Executive Session**.

EXECUTIVE SESSION (Cont.):

- i2. Annual Executive Session with USAC's Vice President of the Internal Audit Division – Confidential & Proprietary – Executive Session Recommended.** Mr. Scott reported on a matter that involved working with the FCC on a universal service fund contributor revenue audit.

At 6:00 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 6:05 p.m.

/s/ Robert W. Haga
Robert W. Haga, Assistant Secretary _____ April 18, 2005 _____

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

April 5, 2005

MINUTES

A special meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC offices, 2000 L Street, NW, Washington, DC, on Tuesday, April 5, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 4:03 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Six of the nine members were present, representing a quorum:

Banks, Jonathan
Cornell, Diane
Hess, Kevin – Chair
Jortner, Wayne
Lubin, Joel – Vice Chair
Zaina, Lisa, CEO

Other Board members and Officers of the Corporation present:

Barash, Scott – Vice President and General Counsel – *via telephone*
Flannery, Irene – VP, High Cost and Low Income Division
Haga, Robert – Assistant Secretary; VP, Strategic Planning and USAC Operations

Others present for the meetin

NAME	COMPANY
Bellavia, Leslie	USAC
Lamoureux, Renee	USAC
Mitchell, Jeffrey	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Authorization to Seek Limited Waiver of Deadline for Submission of Draft Audit Report to the FCC to Extend Date to May 31, 2005. Confidential and Proprietary – *Executive Session Recommended*** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that this matter be discussed in ***Executive Session*** because discussion of this matter relates to filing of a petition, discussion of which in an open session may compromise the continued applicability of the attorney-client privilege and the confidential nature of the petition.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the authorization to file the petition for limited waiver of audit report deadline shall be conducted in *Executive Session*.

See **Executive Session** for a report of the discussion and action taken on this item.

At 4:08 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary item as noted above.

EXECUTIVE SESSION:

- a1. Authorization to Seek Limited Waiver of Deadline for Submission of Draft Audit Report to the FCC to Extend Date to May 31, 2005. Confidential and Proprietary – Executive Session Recommended.** Mr. Scott Barash discussed with the Committee the background and justification for seeking an extension of the independent auditor report deadline from April 15, 2005 to May 31, 2005.

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

RESOLVED, That the USAC Audit Committee authorizes USAC Management to file a petition with the FCC seeking a 45-day limited waiver of 47 C.F.R. §54.717(f) regarding the deadline for submission of the 2004 draft audit report by Deloitte & Touche. USAC Management may use appropriate editorial license in preparing the final petition.

The Committee adjourned from **Executive Session** and reconvened in open session at 4:12 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 4:13 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

April 18, 2005

MINUTES

The quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Monday, April 18, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 4:04 PM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Four of the five members of the Committee were present, representing a quorum:

Campbell, Anne
Eichler, Ed – Chair
Hughes, Alison
Sanford, Jo Anne - *by telephone*

Other Board members and Officers of the Corporation present:

Zaina, Lisa – USAC Board Member and CEO – *by telephone*
Barash, D. Scott – Vice President and General Counsel
Flannery, Irene – VP, High Cost and Low Income Division
Haga, Robert – Assistant Secretary; VP, Strategic Planning & USAC Operations
McDonald, George – VP, Schools & Libraries Division
Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Ashe-Donnem, Caroline	USAC
Bayona, Janet	USAC
Beach, Cynthia	USAC
Bellavia, Leslie	USAC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Dunn, Amanda	USAC
Helbing, Jeremy	USAC
Lamoureux, Renee	USAC
Lenhardt, Chris	USAC
Murphy, Kristin	USAC
Okudaira, Nobuko	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Audit Committee meetings of January 19, 2005, January 24, 2005 and April 5, 2005.
- a2. Action on Five Internal Audit Division Follow-Up Audits Done on Contributor Revenue Audits Performed by Deloitte & Touché – Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that the Contributor Revenue Follow-Up Reports be discussed in *Executive Session* because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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. In addition, 47 C.F.R. §54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the Contributor Revenue Follow-Up Reports labeled CR2004FL008, CR2004FL010, CR2004FL011, and CR2004FL012 and CR2004FL014 shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a3. Action on Two USAC Internal Audit Division Contributor Revenue Audits– Confidential and Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that the Contributor Revenue Follow-Up Reports be discussed in *Executive Session* because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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. In addition, 47 C.F.R. §54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the Contributor Revenue Reports labeled CR2004CP018 and CR2005CP001 shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a4. Review of USAC's Processes to Assure Compliance with Applicable Laws and Regulations.** Mr. Scott introduced this item to the Committee providing an overview of the assessment made by USAC IAD in regard to the review of the processes used by USAC to assure compliance with applicable laws and regulations and the controls in place to assure compliance.

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

RESOLVED, That the USAC Audit Committee accepts the USAC Internal Audit Division's assessment that the Company's processes are in compliance with applicable laws and regulations.

- a5. Action on the Review of the Integrity of USAC's Financial Reporting Process.** Mr. Scott introduced this item to the Committee providing an overview of the assessment made by USAC IAD in regard to the review of USAC's financial reporting process, and the controls in place for that process.

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

RESOLVED, That the USAC Audit Committee accepts the Internal Audit Division's review and assessment of the Company's financial reporting processes.

- a6. Review and Approval of Changes to USAC's Auditing and Accounting Principles and Practices.** Mr. Scott provided the Committee with a review of changes noted by USAC IAD that were undertaken as a result of an FCC order requiring USAC to make certain changes to its accounting systems.

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

RESOLVED, That the USAC Audit Committee, having reviewed the proposed changes with the accounting systems and changes in the USAC and USF General Ledgers, hereby approves the changes as submitted by the USAC Internal Audit Division.

INFORMATION ITEMS

- i1. Status Report on Ongoing USAC Audits** Status Report on Ongoing USAC Audits. Ms. Delmar, USAC Manager of Internal Audit Division, briefed the Committee on the status of various ongoing and planned audits of USAC and the Universal Service Support Mechanisms. Mr. Scott advised the Committee that USAC expected to receive a letter from Deloitte & Touché regarding their inability to complete USAC's audit.
- i2. Status Report on Actions Taken on Final Audits.** Ms. Delmar provided an overall summary of the follow-up actions taken on finalized audits of USAC and the Universal Service Support Mechanisms.

PART II

ACTION ITEMS:

- a1. Action on Two USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Okudaira advised the Committee that report labeled HC2004BE004 was not being presented to the Committee for approval at this meeting.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2004BE007 be deemed final.

- a2. Action on Two Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Murphy presented the two Low Income Support Mechanism Beneficiary Audit Reports to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE001 and LI2005BE002 be deemed final.

- a3. Action on One Rural Health Care Support Mechanism Beneficiary Audit Report.** Ms. Lenhardt presented the Rural Health Care Support Mechanism Beneficiary Audit Report to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Rural Health Care Committee and directs that the 2004 Audit Report labeled RH2004BE017 of Rural Health Care Support Mechanism beneficiaries be deemed final.

- a4. Action on KPMG Schools and Libraries Support Mechanism Agreed-Upon Procedures Beneficiary Audit Reports.** Mr. Scott presented the report to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the KPMG LLP Schools & Libraries Support Mechanism agreed-upon procedures beneficiary audit reports labeled SL2004BE047 be deemed final.

- a5. Action on One USAC Internal Audit Division Schools and Libraries Support Mechanism Investigative Audit Report.** Mr. Lenhardt presented the Schools and Libraries Support Mechanism Investigative Audit Report to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools and Libraries Committee and directs that the USAC Internal Audit Division Schools and Libraries Support Mechanism Audit Report labeled SL2005IV001 be deemed final.

INFORMATION ITEMS:

- i1. Report of the FCC Financial Audit of the FCC's Financial Statements for the Year Ending September 30, 2004.** Mr. Scott discussed with the Committee the FCC financial audit of the FCC's financial statements for the year ending September 30, 2004.

At 4:41 p.m., on a motion duly made and seconded, the Committee voted to move into ***Executive Session*** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a2. Action on Five Internal Audit Division Follow-Up Audits Done on Contributor Revenue Audits Performed by Deloitte & Touché – Confidential and Proprietary.** Ms. Ashe-Donnem introduced the four Internal Audit Division follow-up reports to the Committee and advised that the conclusion stated in Audit Report labeled

CR2004FL008 should state “not compliant” instead of “generally compliant.”

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the five USAC Internal Audit Division Contributor Revenue Follow-Up Audit Reports labeled CR2004FL008, CR2004CL010, CR2004FL011, CR2004FL012 and CR2004FL014 be deemed final.

a3. Action on Two USAC Internal Audit Division Contributor Revenue Audits– Confidential and Proprietary.

Ms. Bellavia presented the results of the audits to the Committee. Mr. Scott provided a background on contributor audits. Ms. Trew advised on enforcement by the FCC.

On a motion duly made and seconded, the Committee adopted the following resolutions.

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the two USAC Internal Audit Division Contributor Revenue Audit Reports labeled CR2004CP018 and CR2005CP001 be deemed final.

At 5:24 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 5:25 p.m.

_____/s/ D. Scott Barash_____
D. Scott Barash, Asst. Secretary

_____July 14, 2005_____
Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

July 14, 2005 – Part I

MINUTES

Part I of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Thursday, July 14, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 2:35 PM Eastern Time. Ms. Vernell Goode, Administrative Assistant for USAC, called the roll. Three of the five members of the Committee were present, representing a quorum:

Eichler, Ed – Chair - by telephone

Hess, Kevin - by telephone

Sanford, Jo Anne - by telephone

Other Board members and Officers of the Corporation present:

Zaina, Lisa – USAC Board Member and CEO

Barash, D. Scott – Vice President and General Counsel

Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Ashe-Donnem, Caroline	USAC
Bayona, Janet	USAC
Bellavia, Leslie – by telephone	USAC
Buckley, Thomas	FCC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Hill, William A.	FCC
Ho, Amanda	USAC
Murphy, Kristin – by telephone	USAC
Okudaira, Nobuko – by telephone	USAC
Rodriguez, Jose	FCC
Tilton, Michelle	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

a1. Approval of the Minutes. On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Audit Committee meeting of Monday, April 18, 2005.

a2. Action on Two Financial Internal Controls Operational Audit Reports – Confidential and Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedures for conducting

USAC Board and Committee business in **Executive Session** Mr. Barash recommended that the two Operational Audit Reports be discussed in **Executive Session** because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the USAC Internal Audit Division financial controls operational audit reports labeled US2004OP004 and US2004OP005 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

a3. Action on Two Internal Audit Division Contributor Revenue Audit Reports Performed by USAC Internal Audit Division – Confidential and Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that the Contributor Revenue Reports be discussed in **Executive Session** because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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. In addition, Mr. Barash noted that 47 C.F.R. §54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the Contributor Revenue Reports labeled CR2004CP017 and CR2005CP002 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

a4. Action on One USAC Internal Audit Division Follow-Up Audit Done on Contributor Revenue Audits Performed by Deloitte & Touché LLP– Confidential and Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that the Contributor Revenue Follow-

Up Report be discussed in **Executive Session** because discussion of the report relates to specific internal controls, and/or confidential company data that would constitute a discussion of 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. In addition, Mr. Barash noted that 47 C.F.R. §54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the Contributor Revenue Follow-Up Report labeled CR2004FL016 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

a5. Miscellaneous. None.

INFORMATION ITEMS

i1. Annual Report on Legal Matters that Could Have a Significant Impact on the Company's Operations – Executive Session Option. Mr. Barash introduced this item and reported no significant legal matters requiring specific and separate attention by the Committee at this time aside from matters previously reported to the Committee and to the Board of Directors.

i2. Miscellaneous. None.

At 2:42 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION

a2. Action on Two Financial Internal Controls Operational Audit Reports – Confidential and Proprietary. Ms. Delmar, USAC Manager of Internal Audit Division, introduced the two operational audit reports to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive

Committee and directs that the USAC Internal Audit Division (IAD) USAC Financial Controls Operational Audit Reports labeled US2004OP004 and US2004OP005 be deemed final.

a3. Action on Two Internal Audit Division Contributor Revenue Audit Reports Performed by USAC Internal Audit Division – Confidential and Proprietary. Ms. Ashe-Donnem, USAC Senior Internal Auditor, presented the results of the audits to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the two USAC Internal Audit Division Contributor Revenue Audit Reports labeled CR2004CP017 and CR2005002 be deemed final.

a4. Action on One USAC Internal Audit Division Follow-Up Audit Done on Contributor Revenue Audits Performed by Deloitte & Touché LLP– Confidential and Proprietary. Ms. Ashe-Donnem presented the results of the audit to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee, and directs that the USAC Internal Audit Division Contributor Revenue Follow-Up Audit Report labeled CR2004FL016 be deemed final.

At 2:54 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion and action of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 2:55 p.m.

/s/ D. Scott Barash

D. Scott Barash, Assistant Secretary

October 20, 2005

Date

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

July 18, 2005 – Part II

MINUTES

Part II of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Monday, July 18, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 3:45 PM Eastern Time. Ms. Vernell Goode, Administrative Assistant for USAC, called the roll. Three of the five members of the Committee were present, representing a quorum:

- Eichler, Ed – Chair
- Hess, Kevin
- Hughes, Alison – by telephone
- Sanford, Jo Anne – Vice Chair

Other Board members and Officers of the Corporation present:

- Zaina, Lisa – USAC Board Member and CEO
- Barash, D. Scott – Vice President and General Counsel
- Scott, Wayne – VP, Internal Audit Division
- Flannery, Irene – Senior VP, Programs

Others present for the meeting:

NAME	COMPANY
Ashe-Donnem, Caroline	USAC
Bayona, Janet	USAC
Bellavia, Leslie	USAC
Buckley, Thomas	FCC
Capozzi, David	USAC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Hill, William A.	FCC
Ho, Amanda	USAC
Lenhardt, Christopher	USAC
Majcher, Karen	USAC
Murphy, Kristin	USAC
Okudaira, Nobuko	USAC

ACTION ITEMS

- a1. Action on One Schools and Libraries Support Mechanism Follow-Up Audit Report.** Mr. Lenhardt, Senior Staff Auditor for the Internal Audit Division, introduced the Schools and Libraries Support Mechanism audit report to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the Audit Report labeled SL2005FL002 be deemed final.

- a2. Action on One Rural Health Care Support Mechanism Beneficiary Audit Report.** Mr. Lenhardt, Senior Staff Auditor for the Internal Audit Division, introduced the Rural Health Care Support Mechanism Beneficiary audit report to the committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Rural Health Care Committee and directs that the audit report labeled RH2004BE024 be deemed final.

- a3. Action on One Schools and Libraries Support Mechanism KPMG LLP Agreed-Upon Procedures Beneficiary Audit Report.** Mr. Scott, Vice President of Internal Audit Division, introduced the Schools and Libraries Support Mechanism KPMG Agreed-Upon Procedures Beneficiary audit report to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the KPMG LLP Schools and Libraries Support Mechanism agreed-upon procedures beneficiary audit report labeled SL2004BE046 be deemed final.

- a4. Action on One Schools and Libraries Support Mechanism Operational Audit Report.** Ms. Bellavia, Manager of Internal Audit Division, introduced the Schools and Libraries Support Mechanism audit report to the committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools and Libraries Committee and directs that the USAC Internal Audit Division Schools and Libraries Support Mechanism Operational Audit Report labeled SL2005OP004 be deemed final.

- a5. Action on Three USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary.** Ms. Okudaira, Senior Auditor for the Internal Audit Division, introduced the High Cost Support Mechanism Beneficiary audit reports to the committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low

Income Committee and directs that the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports labeled HC2004BE004, HC2005BE001 and HC2005BE002 be deemed final.

- a6. Action on Four USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Delmar, Manager of Internal Audit Division, introduced the four Internal Audit Division Low Income Support Mechanism Beneficiary audit reports to the committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE003, LI2005BE004, LI2005BE005 and LI2005BE006 be deemed final.

- a7. Miscellaneous.** Mr. Eichler solicited ideas for October Committee Agenda.

INFORMATION ITEMS

- i1. Status Report Regarding USAC-FCC Office of the Inspector General Procurement for USF Beneficiary Audit Services.** Mr. Scott discussed with the Committee the status of the procurement for audit services and the competitive bidding process related to the procurement. Mr. Scott reported that USAC continues to discuss its recommendation with the FCC, and is currently awaiting guidance by the FCC. Since a contract for services has not been finalized, the audit work has not been initiated. The programmatic budgets have been lowered significantly to account for the fewer number of audits.

- i2. Miscellaneous.** None.

There being no further business, Mr. Eichler adjourned the meeting at 4:37 p.m.

/s/ D. Scott Barash

D. Scott Barash
Assistant Secretary

October 20, 2005

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

October 20, 2005 – Part I

MINUTES

Part I of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Thursday, October 20, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 1:43 PM Eastern Time. Ms. Vernell Goode, Administrative Assistant for USAC, called the roll. Three of the five members of the Committee were present, representing a quorum:

- Eichler, Ed – Chair - *by telephone*
- Campbell, Anne - *by telephone*
- Sanford, Jo Anne - *by telephone*

Other Board members and Officers of the Corporation present:

- Zaina, Lisa – USAC Board Member and CEO
- Belden, Richard – Chief Operating Officer
- Barash, D. Scott – Vice President and General Counsel
- Scott, Wayne – VP, Internal Audit Division
- Holcomb, James – VP, Information Technology
- Majcher, Karen – VP, High Cost/Low Income

Others present for the meeting:

NAME	COMPANY
Ashe-Donnem, Caroline	USAC
Bellavia, Leslie	USAC
Braxton, Kianna	USAC
Capozzi, David	USAC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Ho, Amanda	USAC
Lamoureux, Renee	USAC
Lenhardt, Christopher	USAC
Machcinski, Thaddeus	FCC
Murphy, Kristin	USAC
Okudaira, Nobuko	USAC
Parker, Troy	USAC
Stephens, Mark	FCC
Sullivan, Tanya	USAC

ACTION ITEMS:

a1. Approval of the Minutes. On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Audit Committee meetings of Thursday, July 14, 2005, Monday July 18, 2005, and Wednesday, August 31, 2005.

a2. Acceptance of the Assessment by the USAC Internal Audit Division of the Independence and Financial Literacy of the USAC Audit Committee Members. Mr. Scott introduced this item and reported no significant matters requiring specific and separate attention by the Committee at this time.

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

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

a3. Annual Review of the Internal Audit Charter; the Organizational Structure, Budget, and Activities of the Internal Audit Division; and Significant Changes to the Internal Audit Plan. Mr. Scott introduced this item and reported minor changes to the Internal Audit Charter, but no other significant changes that require attention by the Committee at this time.

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

RESOLVED, That the USAC Audit Committee, having reviewed the proposed changes to the Internal Audit Charter, hereby approves the proposed changes.

a4. Review of the Effectiveness of the Company's Process For Assessing Risks or Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures. Mr. Scott introduced this item and briefly discussed the assessment by the Internal Audit Division and the process by which risks are managed.

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

RESOLVED, That the USAC Audit Committee accepts the Internal Audit Division's assessment of the effectiveness of the Company's process for assessing risks or exposures, and the steps management has taken to minimize such risks and exposures.

a5. Review of the Adequacy of USAC's System of Internal Controls. Mr. Scott introduced this item and briefly discussed the standards that comprise USAC's internal control structure.

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

RESOLVED, That the USAC Audit Committee accepts the review of the adequacy of USAC's system of internal controls performed by the USAC Internal Audit Division.

a6. Action on One Internal Audit Division Contributor Revenue Audit Report Performed By USAC Internal Audit Division – Confidential and Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that the Contributor Revenue Audit Report be discussed in *Executive Session*

because discussion of the reports relates to confidential and proprietary carrier information.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the one Contributor Revenue Audit Report labeled CR2005CP003 shall be conducted in Executive Session.

a7. Preliminary Review of USAC 2004 Independent Audit of USAC Financial Statements and Agreed Upon Procedures Review. The Committee opted to hold this discussion over to the second Audit Committee Meeting on Monday, October 24, 2005.

a8. Miscellaneous. None

INFORMATION ITEMS

i1. Status Report on USAC Audits – Executive Session Option. Mr. Scott introduced this item and reported that the first eleven of the one hundred audits being performed by KPMG, LLC will be presented in the second Audit Committee Meeting to be held on Monday, October 24, 2005.

i2. Status Report on Actions Taken on Final Audits – Executive Session Option. The Committee opted to hold this discussion over to the second Audit Committee Meeting on Monday, October 24, 2005.

i3. Status of 700 Audits. The Committee opted to hold this discussion over to the Audit Committee Meeting on Monday, October 24, 2005.

i4. Miscellaneous. None.

At 1:59 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION

a6. Action on One Internal Audit Division Contributor Revenue Audit Report Performed By USAC Internal Audit Division – Confidential and Proprietary Ms. Ashe-Donnem, USAC Senior Auditor of Internal Audit Division, introduced the Contributor Revenue audit report labeled CR2005CP003 to the Committee.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Executive Committee and directs that the USAC Internal Audit Division (IAD) Contributor Revenue Audit Report labeled CR2005CP003 be deemed final.

At 2:03 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion and action of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 2:10 p.m.

_____/s/ D. Scott Barash_____

D. Scott Barash

Assistant Secretary _____January 19, 2006_____

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

AUDIT COMMITTEE MEETING

October 24, 2005 – Part II

MINUTES

Part II of the quarterly meeting of the Audit Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC, on Monday, January 24, 2005. Mr. Eichler, Chair of the Committee, called the meeting to order at 5:03 PM Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. All five members of the Committee were present, representing a quorum:

- Campbell, Anne – Vice Chair
- Eichler, Ed – Chair
- Hess, Kevin
- Hughes, Alison

One member joined the meeting in progress: Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

- Zaina, Lisa – USAC Board Member and CEO
- Barash, D. Scott – Vice President and General Counsel
- Flannery, Irene – VP, High Cost and Low Income Division
- Haga, Robert – Assistant Secretary; VP, Strategic Planning & USAC Operations
- McDonald, George – VP, Schools & Libraries Division
- Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Ashe-Donnem, Caroline	USAC
Bayona, Janet	USAC
Beach, Cynthia	USAC
Bellavia, Leslie	USAC
Chou, Elizabeth	USAC
Delmar, Teleshia	USAC
Dunn, Amanda	USAC
Falkowitz, Ed	USAC
Helbing, Jeremy	USAC
Lamoureux, Renee	USAC
Lenhardt, Chris	USAC
McCrone, Christina	USAC
Miller, Linda	USAC
Murphy, Kristin	USAC
Stephens, Mark	FCC

ACTION ITEMS:

a1. Approval of the 2005/2006 USAC Internal Audit Plan – Confidential & Proprietary – *Executive Session*

Recommended. Mr. Barash recommended discussion of the 2005/2006 USAC Internal Audit Plan be held in ***Executive Session***, in accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session*** as discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the 2005/2006 USAC Internal Audit Plan shall be conducted in ***Executive Session***.

See ***Executive Session*** for a report of the discussion and action taken on this item.

a2. Action on One High Cost Support Mechanism Beneficiary Audit Reports. Mr. Eichler noted that this audit

report and the remaining reports before the Committee at this meeting had all been presented to the programmatic committees at their meetings earlier in the day and at the January 19, 2004 meeting of the Executive Committee. No further discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2004BE005 be deemed final.

a3. Action on Two Low Income Support Mechanism Beneficiary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2004BE005 and LI2004BE006 be deemed final.

a4. Action on Six Rural Health Care Support Mechanism Beneficiary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Rural Health Care Committee and directs that the 2004 Agreed Upon Procedures Reports (Audit Nos. RH2004BE018, RH2004BE019, RH2004BE020, RH2004BE021, RH2004BE022, and RH2004BE023) of Rural Health Care Support Mechanism beneficiaries be deemed final.

a5. Action on Sixteen Schools and Libraries Support Mechanism Beneficiary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the 16 USAC Internal Audit Division Schools & Libraries Support Mechanism Beneficiary Audit Reports labeled SL2004BE010, SL2004BE011, SL2004BE012, SL2004BE013, SL2004BE014, SL2004BE015, SL2004BE016, SL2004BE017, SL2004BE018, SL2004BE019, SL2004BE020, SL2004BE021, SL2004BE022, SL2004BE023, SL2004BE024 and SL2004BE025 be deemed final.

a6. Action on Two Schools and Libraries Support Mechanism Operational Audit Reports. – Confidential & Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended discussion of audit reports be held in **Executive Session** because discussion of the audit reports relate to specific internal controls, and/or confidential company data would constitute a discussion of 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, the Committee adopted the following resolution:

RESOLVED, That the USAC Audit Committee determines that discussion of the USAC Internal Audit Division Schools & Libraries Support Mechanism operational audit reports labeled SL2004OP048 and US2004OP002 shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item

a7. Action on One FCC OIG Schools and Libraries Support Mechanism Beneficiary Audit Report. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the Federal Communications Commission, Office of Inspector General, Schools & Libraries Support Mechanism Beneficiary Audit Report labeled SL2004BE049 be deemed final.

a8. Action on Schools and Libraries Support Mechanism KPMG LLP Agreed Upon Procedures Summary Audit Reports. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the KPMG LLP Schools & Libraries Support Mechanism Summary agreed-upon procedures beneficiary audit report labeled SL2004BE050 be deemed final.

a9. Action on Two Internal Audit Division Follow Up Audits on Audits Performed by KPMG. No discussion held.

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

RESOLVED, That the USAC Audit Committee accepts the recommendation of the USAC Schools & Libraries Committee and directs that the USAC Internal Audit Division Schools & Libraries Support Mechanism Follow-Up Audit Reports labeled SL2004FL026 and SL2004FL027 be deemed final.

a10. Miscellaneous.

Solicit Ideas for April Committee Agenda. Mr. Eichler reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him, or Mr. Scott, between quarterly meetings.

INFORMATION ITEMS:

i1. Report on Postponement of a Contributor Audit – Confidential & Proprietary – *Executive Session*

Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that discussion of this item be

conducted in **Executive Session** because the audit relates to specific contributor revenue information, and/or confidential company data that would constitute a discussion of internal rules and procedures concerning the administration of the universal service mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity. In addition, 47 C.F.R. § 54.711(b) requires USAC to keep all contributor specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Audit Committee determines that discussion of the status of a contributor revenue audit shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion taken on this item.

i2. Annual Executive Session with USAC’s Vice President of the Internal Audit Division – Confidential & Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that this matter be discussed in **Executive Session** pursuant to the guidelines in the approved Audit Committee Charter, with only the Vice President of Internal Audit and Committee members present.

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

RESOLVED, That the USAC Audit Committee determines that the annual meeting with USAC’s Vice President of Internal Audit required by the USAC Annual Audit Charter shall be conducted in **Executive Session**, with only Committee members and the Vice President of the Internal Audit Division present.

See **Executive Session** for a report of the discussion taken on this item.

i3. Miscellaneous. None.

At 5:08 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

Committee member Ms. Sanford joined the meeting during the discussion of the following item.

a1. Approval of the 2005/2006 USAC Internal Audit Plan – Confidential & Proprietary. Mr. Scott introduced this item and reviewed the proposed two-year audit plan. He noted that this two year audit plan would allow

more flexibility over audits when audit objectives and scopes require revision without affecting the scheduling of other audits included in the plan.

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

RESOLVED, That the USAC Audit Committee accepts the recommendations of the USAC Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee to include in the 2005/2006 USAC Internal Audit Plan the proposed plans for programmatic beneficiary audits for 2005/2006 as presented by the USAC Internal Audit Division and approved by each Committee at their respective meeting on January 24, 2005; and

RESOLVED FURTHER, That the USAC Audit Committee approves the 2005/2006 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

i1. Report on Postponement of a Contributor Audit – Confidential & Proprietary. Mr. Scott shared information regarding the early on-site fieldwork termination of a contributor revenue audit. Mr. Scott also provided an update on the audit. He explained that IAD was accompanied on the second site visit date by FCC Office of Inspector General staff and that fieldwork was completed on January 13, 2005.

The Board recessed from **Executive Session** and reconvened in open session at 5:26 p.m. to report the discussions and actions of the Committee during **Executive Session**.

At 5:28 p.m., Mr. Eichler requested that everyone except the Committee members and the Vice President of Internal Audit vacate the room. On a motion duly made and seconded, the Committee reconvened in **Executive Session**.

EXECUTIVE SESSION (Cont.):

i2. Annual Executive Session with USAC's Vice President of the Internal Audit Division – Confidential & Proprietary – Executive Session Recommended. Mr. Scott reported on a matter that involved working with the FCC on a universal service fund contributor revenue audit.

At 6:00 p.m., the Committee adjourned from **Executive Session** and reconvened in open session to report the discussion of the Committee during **Executive Session**.

There being no further business, Mr. Eichler adjourned the meeting at 6:05 p.m.

_____/s/ Robert W. Haga _____

Robert W. Haga,

Assistant Secretary _____ April 18, 2005 _____