

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

**Monday, January 26, 2015
8:30 a.m. – 9:30 a.m. Eastern Time
USAC Offices
2000 L Street, N.W., Suite 200
Washington, D.C. 20036**

OPEN SESSION

- a1.** Consent Items (each available for discussion upon request):
- A.** Approval of Audit Committee Meeting Minutes of October 27, 2014.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*.
 - C.** Approval of 2015 Audit Committee Charter (*same as aBOD01F*).
 - D.** Approval of the 2015-2016 Internal Audit Plan – **Confidential – Executive Session Recommended if discussion is requested.**
- a2.** Recommendation for Election of Committee Chair and Vice Chair.
- a3.** Miscellaneous. Solicit ideas for April 2015 Committee meeting agenda.

EXECUTIVE SESSION

- i1.** Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2014 – **Confidential – Executive Session Recommended.**
Same as iBOD03cf
- i2.** Business Update – **Confidential – Executive Session Recommended.**
- Strategy and Performance Management Discussion.
 - Key Strategic Initiatives.
 - 2015 Annual Budget Discussion.
 - Internal Audit Update.
 - Discussion of Audit Committee Role in Oversight of USF Contributor and Beneficiary Audits.

Next Scheduled USAC Audit Committee Meeting

**Monday, April 27, 2015
8:30 a.m. – 9:30 a.m.
USAC Offices, Washington, D.C.**

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

AUDIT COMMITTEE MEETING
Monday, January 26, 2015

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, January 26, 2015. Mr. Joe Gillan, Committee Chair, called the meeting to order at 8:30 a.m. Eastern Time, with three of the five Committee members present:

Feiss, Geoff
Gillan, Joe – Chair

Talbott, Dr. Brian

Members of the Committee not present:

Campbell, Anne
Jimenez, Jose – Vice Chair

Other Board members and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Brown, Eric – Member of the Board
Capozzi, David – General Counsel and Assistant Secretary
Case, Dave – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig, Vice President, Rural Health Care
Henderson, Chris – Chief Executive Officer
Jones, Rochelle – Member of the Board
Jortner, Wayne – Member of the Board
King, Sola – Vice President of Human Resources, Chief Human Capital Officer
Noriega, Raquel – Member of the Board
Schell, Julie Tritt – Member of the Board
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Betancourt, Laura	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Donnelly, Michael	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Guinan, Gabriela Gross	USAC

<u>NAME</u>	<u>COMPANY</u>
Hiroto, Scott	GAO
Hughes, Pamela	USAC
Hutchinson, Kyle	USAC
Kirkpatrick, Laura	GAO
Murphy, Tom	USAC
Nelbach, Nick	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Schrieber, Johnnay	USAC
Sinkfield, David	USAC
Smith, Chris	USAC
Spade, Gina	FCC
Thannikkary, Audra	USAC

OPEN SESSION

a1. Consent Items.

- A. Approval of Audit Committee Meeting Minutes of October 27, 2014.
- B. Approval of moving into *Executive Session* agenda items:
 - (1) i1 – Report on the Audit of the FCC’s Financial Statements for the Fiscal Year Ending September 30, 2014. USAC management recommended that this matter be discussed in *Executive Session* because the report relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) i2 – Business Update. USAC management recommended 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*.
- C. Approval of 2015 Audit Committee Charter (*same as aBOD01F*). The Committee is required to review the Charter, pursuant to Section III.A.1 of the Charter, to determine if any changes are necessary and present any recommended changes to the Board for approval. USAC Internal Audit Division (IAD) staff reviewed the Charter to determine if any changes should be recommended to the Committee and the Board of Directors for consideration.
- D. Approval of 2015-2016 Internal Audit Plan – **Confidential** – *Executive Session Recommended if discussion is requested* because the plan relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of October 27, 2014; and discussion in *Executive Session* of the report on the audit of the FCC Financial Statements for the Fiscal Year Ending September 30, 2014 and the general business update; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the current Audit Committee Charter as presented by the USAC Internal Audit Division, approves the proposed Charter; and

RESOLVED FURTHER, that the USAC Audit Committee approves the 2015-16 USAC Internal Audit Plan as presented by the USAC Internal Audit Division.

- a2. Recommendation for Election of Committee Chair and Vice Chair.** The Committee deferred making nominations as FCC Chairman Wheeler had not yet made selections for seats of Board members whose terms have expired or for open seats.

At 8:38 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 below.

EXECUTIVE SESSION

- i1. Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2014.** Mr. Scott presented this item for discussion.
- i2. Business Update.** Mr. Scott and Ms. Hughet, Manager of Internal Audit, presented the following items for discussion:
- Strategy and Performance Management Discussion.
 - Key Strategic Initiatives.

At 9:40 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed and took action on items a1 and a2 above.

On a motion duly made and seconded, the Committee adjourned at 9:41 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

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

<p>Monday, April 27, 2015 8:00 a.m. – 9:30 a.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>

<u>OPEN SESSION</u>	
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of January 26, 2015. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>. C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations. D. Review of the Integrity of USAC’s Financial Reporting Process.</p>
Chair	a2. Recommendation for Election of Committee Chair and Vice Chair.
Wayne	<p>a3. Approval of 2015 Audit Committee Charter. <i>Same as aBOD05</i></p>
Wayne	<p>i1. Business Update:</p> <ul style="list-style-type: none"> • General Business Update. • Key Measurements. • Strategic Initiatives.

<u>EXECUTIVE SESSION</u>	
Wayne	<p>a4. Action on One USAC Internal Audit Division Lifeline Program Operational Audit Report – Confidential – <i>Executive Session Recommended</i>. <i>Same as aEC02cf</i></p>
Wayne	<p>i2. Annual Executive Session with USAC’s Vice President of Internal Audit – Confidential – <i>Executive Session Recommended</i>.</p>

Next Scheduled USAC Audit Committee Meeting

<p>Monday, July 27, 2015 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

AUDIT COMMITTEE MEETING
Monday, April 27, 2015

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, April 27, 2015. Mr. Jose Jimenez, Committee Vice Chair, called the meeting to order at 8:04 a.m. Eastern Time, with three of the five Committee members present:

Feiss, Geoff
Jimenez, Jose – Vice Chair

Talbott, Dr. Brian

Mr. Joe Gillan joined the meeting at 8:16 a.m. He did not participate in the discussion of or vote on item a1.

Members of the Committee not present:

Campbell, Anne

Other Board members and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Brise' Ronald – Member of the Board
Capozzi, David – General Counsel and Assistant Secretary
Case, Dave – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig, Vice President, Rural Health Care
Henderson, Chris – Chief Executive Officer
Jones, Rochelle – Member of the Board
Moeller, Mike – Vice President of Strategy and Performance Management
Schell, Julie Tritt – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Taylor, Pete – Vice President and Chief Information Officer
Wein, Olivia – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Acker, Justin	USAC
Carpenter, Nikki-Blair	USAC
Caruso, Michael	USAC
Damarla, Anitha	USAC
Delmar, Teleshia	USAC

<u>NAME</u>	<u>COMPANY</u>
Emmanuel, Sherard	USAC
Felton, Sharonda	USAC
Ferris, Shay	USAC
Garber, Michelle	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Hiromoto, Scott	GAO
Hughet, Pamela	USAC
Kimi, AJ	USAC
Knutti, Rebecca	USAC
Nuzzo, Patsy	USAC
Palcic, Catherine	USAC
Powell, Emily	USAC
Salvator, Charles	USAC
Schrieber, Johnnay	USAC
Smith, Chris	USAC
Spade, Gina – <i>by telephone</i>	USAC
Thannikkary, Audra	USAC

OPEN SESSION

a1. Consent Items.

- A. Committee meeting minutes of January 26,2015.
- B. Approval for discussing in *Executive Session* agenda items:
 - (1) a4 – Action on One USAC Internal Audit Division Lifeline Program Operational Audit Report. USAC management recommends that this matter be discussed in *Executive Session* because the report relates to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) i2 – Annual Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be discussed in *Executive Session* consistent with the requirements of the Audit Committee Charter that the Committee meet annually with the Vice President of Internal Audit in *Executive Session*.
- C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.

In accordance with USAC’s Audit Committee Charter, Section III.G, the Audit Committee (Committee), in consultation with USAC’s General Counsel, is required to review on a semi-annual basis the processes used by USAC to assess compliance with applicable laws and regulations.

Compliance processes for administration of the Universal Service Fund (USF) and the Universal Service Support Mechanisms by each programmatic division and USAC's financial operations are based on the Telecommunications Act of 1996,¹ Part 54 of the Commission's rules,² Commission orders, and FCC staff directives. Each division is expected to execute its daily, monthly and quarterly tasks in administering the USF and the support mechanisms in accordance with applicable law, FCC orders and directives, and USAC policies and procedures. Since 1998, USAC has consistently received "clean" financial audit opinions, and the results of operational reviews to test compliance with program rules have not revealed instances of non-compliance with applicable law. Additionally, through the combined efforts of USAC management, the Office of General Counsel, IAD and USAC Human Resources, ongoing compliance with laws and regulations is regularly assessed.

IAD has determined that the USAC's processes are in compliance with applicable laws and regulations. Any changes made to this process over the next year will be documented and reported to the Committee at the April 2016 quarterly meeting.

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

In accordance with the USAC Audit Committee Charter (Charter), the Audit Committee (Committee) is required to annually review USAC's financial reporting processes and the USAC Internal Audit Division's (IAD) assessment of the processes. Based on a review conducted by IAD, the process indicates that there is adequate segregation of duties among the individuals responsible for initiating, preparing, approving, processing and reconciling transactions. In addition, the approval levels and the controls surrounding computer system access for these individuals are appropriate. Accordingly, IAD concludes that the financial reporting process is sufficient for the reliability and integrity needed to prepare financial information. IAD recommends the Committee accept IAD's review and assessment of USAC's financial reporting processes.

Any changes made to this process during the current year will be documented and reported to the Committee at the April 2016 quarterly meeting as required by the Charter.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of January 26, 2015, and discussion in

¹ 47 U.S.C. § 254.

² 47 C.F.R. §§ 54.701-717.

Executive Session of the annual meeting with the Audit Committee and the Vice President of Internal audit; and

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

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

- a2. Recommendation for Election of Committee Chair and Vice Chair.** Dr. Talbott presented this item for consideration noting that in addition to the nomination for Chair and Vice Chair, Julie Tritt Schell would join the Committee representing the Schools & Libraries Committee.

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

RESOLVED, that the USAC Audit Committee recommends that the USAC Board of Directors elect **Joe Gillan** as Chair and **Jose Jimenez** as Vice Chair of the Committee for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or is no longer a member of the Board.

- a3. Approval of 2015 Audit Committee Charter.** Mr. Scott presented this item for discussion.

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

RESOLVED, that the USAC Board of Directors, having reviewed management's proposed changes to the Audit Committee Charter and the Audit Committee's recommendation that the Board accept the proposed changes, hereby accepts the recommendation of the Audit Committee and approves the proposed changes to the Audit Committee Charter.

- ii. Business Update.** Mr. Scott, Ms. Teleshia Delmar, Senior Director of IAD, and Mr. Charles Salvator, Director of IAD, presented this item for discussion.
- General business update.
 - Beneficiary and Contributor Audit Program (BCAP).
 - Payment Quality Assurance (PQA).
 - Corporate audits.
 - Audit Committee Insights.
 - Key Measurements.
 - Strategic Initiatives.

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

- i2. Annual Executive Session with USAC's Vice President of Internal Audit.** Mr. Gillan requested that this item be moved to the July 27, 2015 agenda.

At 9:37 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 below.

EXECUTIVE SESSION

- a4. Action on One USAC Internal Audit Division Lifeline Program Operational Audit Report.** Mr. Scott presented this item for discussion.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division (IAD) National Lifeline Program operational audit report, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

At 9:47 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed and took action on item a4.

On a motion duly made and seconded, the Committee adjourned at 9:48 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

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

**Monday, July 27, 2015
8:00 a.m. – 9:30 a.m. Eastern Time
USAC Offices
2000 L Street, N.W., Suite 200
Washington, D.C. 20036**

OPEN SESSION

- a1.** Consent Items (each available for discussion upon request):
- A.** Approval of Audit Committee Meeting Minutes of April 27, 2015.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*.
 - C.** Approval of USAC's Business Continuity Plan Follow-Up Audit Report.
- a2.** Acceptance of USAC's 2014 Annual Financial Audit and Agreed-Upon Procedures Review
Same as iBOD02
- i1.** Business Update:
- General Business Update.
 - Key Measurements.
 - Strategic Initiatives.

EXECUTIVE SESSION

- a3.** Action on One USAC Internal Audit Division Finance Division Operational Audit Report – **Confidential** – *Executive Session Recommended*.
Same as aEC02cf
- i2.** Audit Committee Executive Session with USAC's Independent Audit Firm – **Confidential** – *Executive Session Recommended*
- i3.** Annual Executive Session with USAC's Vice President of Internal Audit – **Confidential** – *Executive Session Recommended*.

Next Scheduled USAC Audit Committee Meeting

**Monday, October 26, 2015
8:00 a.m. – 9:30 a.m.
USAC Offices, Washington, D.C.**

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

AUDIT COMMITTEE MEETING
Monday, July 27, 2015

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, July 27, 2015. Mr. Joe Gillan, Committee Chair, called the meeting to order at 8:01 a.m. Eastern Time, with three of the five Committee members present:

Gillan, Joe – Chair
Jimenez, Jose – Vice Chair

Schell, Julie Tritt

Mr. Geoff Feiss joined the meeting at 8:09 a.m. Eastern Time and Dr. Brian Talbott joined the meeting at 8:30 a.m. Eastern Time. They did not participate in the discussion of or vote on item a1.

Other Board members and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Capozzi, David – General Counsel and Assistant Secretary
Case, Dave – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Hays, Kate – Vice President of Stakeholder Engagement
Henderson, Chris – Chief Executive Officer
Jones, Rochelle – Member of the Board
Moeller, Mike – Vice President of Strategy and Performance Management
Scott, Wayne – Vice President of Internal Audit
Wein, Olivia – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Blair-Carpenter, Nikki	USAC
Delmar, Teleshia	USAC
George, Dewey	DP George
Goode, Vernell	USAC
Guinan, Gabriel Gross	USAC
Hanly, Garnet	FCC
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Kaplan, Peter	Funds For Learning
Kriete, Debra	South Dakota DOE
Nelbach, Nick	USAC

<u>NAME</u>	<u>COMPANY</u>
Nuzzo, Patsy	USAC
Patankar-Stoll, Anita	FCC
Salvator, Charles	USAC
Smith, Chris	USAC
Smith, Michael	DP George
Spade, Gina – <i>by telephone</i>	FCC
Thannikkary, Audra	USAC

OPEN SESSION

a1. Consent Items.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of April 27, 2015, and discussion in *Executive Session* of one USAC IAD Finance Division operational audit report, the annual Audit Committee Executive Session with USAC's independent audit firm, and the annual executive session with USAC's Vice President of Internal audit; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division USAC Business Continuity Plan Follow-Up Audit Report, accepts the recommendation USAC management, and hereby deems the report final.

a2. Acceptance of USAC's 2014 Annual Financial Audit and Agreed-Upon Procedures Review. Mr. Scott introduced Mr. George and Mr. Smith of DP George & Company, LLC to present this item for consideration.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC 2014 Financial Audit Report as submitted by DP George and Company LLC, hereby deems the report final; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC 2014 Agreed-Upon Procedures Review Report as submitted by DP George and Company hereby deems such report final.

i1. Business Update. Mr. Scott presented this item for discussion.

- General business update.
 - Beneficiary and Contributor Audit Program (BCAP).
 - Payment Quality Assurance (PQA).

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

- Corporate audits.
- Key Measurements.
- Strategic Initiatives.

At 9:25 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 above.

EXECUTIVE SESSION

- a3. Action on One USAC Internal Audit Division Finance Division Operational Audit Report.** Mr. Scott presented this item for discussion.

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division (IAD) Finance Division operational audit report, accepts the recommendations of the USAC Executive Committee and USAC management and hereby deems the report final.

At 9:30 a.m. Eastern Time, the Committee continued in *Executive Session* with only members of the Board, Mr. Scott and representatives of DP George present for the purpose of discussing the confidential items below.

- i2. Audit Committee Executive Session with USAC's Independent Audit Firm.** Mr. Scott and representatives of DP George & Company met with the Audit Committee.
- i3. Annual Executive Session with USAC's Vice President of Internal Audit.** Mr. Scott met with the Audit Committee.

At 9:50 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed and took action on item a3 and discussed items i2 and i3.

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

/s/ David A. Capozzi
Assistant Secretary

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

**Monday, October 26, 2015
8:00 a.m. – 9:30 a.m. Eastern Time
USAC Offices
2000 L Street, N.W., Suite 200
Washington, D.C. 20036**

<u>OPEN SESSION</u>	
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <ul style="list-style-type: none">A. Approval of Audit Committee Meeting Minutes of July 27, 2015.B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.C. Acceptance of the Annual Assessment by the USAC Internal Audit Division of the Independence and Financial Literacy of USAC Audit Committee Members.D. Annual Review of the Internal Audit Charter; the Organizational Structure, Budget, and Activities of the Internal Audit Division; and Significant Changes to the Internal Audit Plan.E. Annual Review of the Effectiveness of the Company's Process for Assessing Significant Risks and Exposures and the Steps Management Has Taken to Minimize Such Risks and Exposures.F. Annual Review of the Adequacy of USAC's System of Internal Controls.
Wayne	<p>ii. Business Update:</p> <ul style="list-style-type: none">• General Business Update.• Key Measurements.• Strategic Initiatives.

Next Scheduled USAC Audit Committee Meeting

**Monday, January 25, 2016
8:00 a.m. – 9:30 a.m.
USAC Offices, Washington, D.C.**

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

AUDIT COMMITTEE MEETING
Monday, October 26, 2015

MINUTES

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, October 26, 2015. Mr. Joe Gillan, Committee Chair, called the meeting to order at 8:02 a.m. Eastern Time, with all five Committee members present:

Feiss, Geoff	Schell, Julie Tritt
Gillan, Joe – Chair	Talbott, Dr. Brian
Jimenez, Jose – Vice Chair	

Other Board members and officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Capozzi, David – General Counsel and Assistant Secretary
Case, Dave – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig – Vice President, Rural Health Care Division
Hays, Kate – Vice President of Stakeholder Engagement
Henderson, Chris – Chief Executive Officer
Jones, Rochelle – Member of the Board
Lubin, Joel – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Taylor, Pete – Vice President and Chief Information Officer
Wein, Olivia – Member of the Board

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Blair-Carpenter, Nikki	USAC
Delmar, Teleshia	USAC
Frelow, Leslie	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Guinan, Gabriela Gross	USAC
Hanly, Garnet	FCC
Hughet, Pamela	USAC
Johnston, Anna	USAC
Nuzzo, Patsy	USAC

<u>NAME</u>	<u>COMPANY</u>
Palcic, Catherine	USAC
Patankar-Stoll, Anita	FCC
Riley, Adam	USAC
Salvator, Charles	USAC
Schrieber, Johnnay	USAC
Smith, Chris	USAC
Staylor, Matthew	USAC
Tawes, Pauline	USAC
Thannikkary, Audra	USAC
Zufolo, Jessica	USAC

OPEN SESSION

a1. Consent Items.

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

RESOLVED, that the USAC Audit Committee hereby approves the Committee meeting minutes of July 27, 2015; and

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

RESOLVED FURTHER, that the USAC Audit Committee accepts the review of the adequacy of USAC's system of internal controls performed by the USAC Internal Audit Division; and

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

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

ii. Business Update. Mr. Scott presented this item for discussion.

- General business update.
 - Beneficiary and Contributor Audit Program (BCAP).
 - Payment Quality Assurance (PQA).

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

- Corporate audits.
- Key Measurements.
- Strategic Initiatives.

i2. Audit Committee Discussion. Mr. Capozzi recommended that this matter be discussed in *Executive Session* because this matter relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.

At 9:07 a.m. Eastern Time, on a motion duly made and seconded, the Committee with Mr. Capozzi, Mr. Case, and Mr. Scott moved into *Executive Session* for the purpose of discussing the confidential item listed above.

EXECUTIVE SESSION

i2. Audit Committee Discussion.

At 9:28 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Gillan reported that in *Executive Session*, the Committee discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 9:29 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary