

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

<p>Monday, January 29, 2018 8:00 a.m. – 9:30 a.m. Eastern Time USAC Offices 700 12th Street, N.W., Suite 900 Washington, D.C. 20005</p>
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of October 23, 2017.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p>	5
Chair	a2. Recommendation for Election of Committee Chair and Vice Chair.	5
Wayne	<p>a3. Approval of 2018 Audit Committee Charter.</p> <p style="text-align: center;"><i>Same as aBOD04</i></p>	5

<u>EXECUTIVE SESSION</u>		
Wayne	<p>a4. Annual Review of the Adequacy of USAC’s System of Internal Controls by the USAC Internal Audit Division. – Confidential – <i>Executive Session Recommended.</i></p>	10
Wayne	a5. Approval of the 2018 Internal Audit Plan – Confidential – <i>Executive Session Recommended.</i>	10
Jarnice	a6. Action on One USAC Internal Audit Division Operational Audit Report – Confidential – <i>Executive Session Recommended.</i>	10
Wayne	<p>i1. Business Update – Confidential – <i>Executive Session Recommended.</i></p> <ul style="list-style-type: none"> • Operational Update. <ul style="list-style-type: none"> ○ Beneficiary and Contributor Audit Program (BCAP). ○ Payment Quality Assurance (PQA). ○ Corporate Assurance. • Common Audit Findings and Corrective Action Plans. 	15
Wayne	i2. Executive Session with USAC’s Vice President of Internal Audit – Confidential – <i>Executive Session Recommended.</i>	30

Next Scheduled USAC Audit Committee Meeting

<p>Monday, April 23, 2018 8:00 a.m. – 9:30 a.m. Eastern Time USAC Offices, Washington, D.C.</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

AUDIT COMMITTEE MEETING
Monday, January 29, 2018

MINUTES¹

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 29, 2018. Mr. Gillan, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with all four Committee members present. (There is one vacancy on the Committee):

Feiss, Geoff – Vice Chair
Gillan, Joe – Chair

Tinic, Atilla
Wibberly, Dr. Kathy

Other Board members and officers of the corporation present:

Bocher, Bob – Member of the Board
Choroser, Beth – Member of the Board
Davis, Craig – Vice President of Procurement and Strategic Sourcing
Fontana, Brent – Member of the Board – *by telephone*
Lubin, Joel – Member of the Board
Mason, Ken – Member of the Board
Salvator, Charles – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Scott, Wayne – Vice President of Internal Audit
Sekar, Radha – Chief Executive Officer
Sweeney, Mark – Chief Operating Officer

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Beckford, Ernesto	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Daniels, Joel	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC

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

<u>NAME</u>	<u>COMPANY</u>
Guinan, Gabriela Gross	USAC
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Lutz, Corey	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Schell, Julie	Pennsylvania Department of Education
Smith, Chris	USAC
Talbott, Dr. Brian	Dimensional Learning Solutions, LLC
Tawes, Pauline	USAC

OPEN SESSION

- a1. Consent Items.** Mr. Gillan presented these items to the Committee requesting that item i1 be discussed in Open Session and item a5 be discussed in *Executive Session*.
- A. Approval of Committee meeting minutes of October 23, 2017.
- B. Approval for discussing in *Executive Session* agenda items:
- (1) **a4** – Annual Review of the Adequacy of USAC’s System of Internal Controls by the USAC Internal Audit Division. USAC management recommends that this item 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. In addition, the attachment to this issue paper involves a personnel matter; and, therefore, USAC management recommends that this item be discussed in *Executive Session* for this reason as well consistent with USAC’s long-standing practice and to preserve privacy.
 - (2) **a5** – Approval of the 2018 Internal Audit Plan. USAC management recommends that discussion of the Audit Plan contained in the attachments to this issue paper be conducted in *Executive Session* because discussion of *specific audit plans, internal controls, and/or confidential company data* constitutes a discussion of *internal rules and procedures*.
 - (3) **a6** – Action on One USAC Internal Audit Division 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.
 - (4) **i2** – Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

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

RESOLVED, that the USAC Audit Committee hereby approves: (1) the Committee meeting minutes of October 23, 2017, and (2) discussion in *Executive Session* of the agenda items noted above.

- a2. Recommendation for Election of Committee Chair and Vice Chair.** Mr. Mason, Chair of the Nominating Committee, provide the Nominating Committee's recommendations for Chair and Vice Chair of the Audit 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 elects **Geoff Feiss** as Chair and **Atilla Tinic** as Vice Chair of the Committee. The term for each position begins immediately upon the election to such position by the Board and ends at such time as the Chair or Vice Chair (as the case may be): (i) is replaced by a successor selected by the Board, (ii) resigns from the Committee or the Board, (iii) is removed by resolution of the Board, or (iv) is no longer a member of the Board (whichever comes first).

- a3. Approval of 2018 Audit Committee Charter.** Mr. Scott presented this item to the Committee, noting that changes to the Audit Committee Charter included additions to the Committee's responsibilities (incorporating risk management and receiving whistleblower complaints) and alignment of the Committee's responsibilities around financial internal control reporting with the Chief Financial Officer.

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 current Audit Committee Charter and the proposed changes presented by the USAC Internal Audit Division, hereby accepts the recommendation of the Audit Committee and approves the revised Audit Committee Charter.

- i1. USAC Internal Audit Division Business Update.** Mr. Scott presented an update on the status of audit activities performed under the Beneficiary and Contributor Audit Program (BCAP), the Payment Quality Assurance (PQA) Program's improper payment results, and USAC Corporate Assurance audits. In addition, Mr. Scott discussed the comparison of various data points between random audit plans to risk-based audit plans

At 8:34 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- a4. Annual Review of the Adequacy of USAC's System of Internal Controls by the USAC Internal Audit Division.** Mr. Scott presented this item for consideration, noting that there are systems in place to ensure compliance with policies, procedures and Federal Communications Commission (FCC) regulations.

On a motion duly made and seconded and after discussion, 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 USAC Internal Audit Division Operational Audit Reports.** Ms. Anderson presented this item for consideration. The operational audit report pertained to vendor management practices and involved review of the policies, procedures and related controls associated with USAC's vendor management process. The report also identified areas of internal control weaknesses and made recommendations for improvement.

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 Vendor Management Report, accepts the recommendations of USAC management and hereby deems the report final.

At 8:41 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board, Ms. Sekar, and Mr. Scott present for the purpose of discussing item a5.

- a5. Approval of the 2018 Internal Audit Plan.** This item was tabled for further review and will be added to the April 23, 2018 agenda for consideration.

At 9:10 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Committee and Mr. Scott.

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

At 9:30 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time

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

Mr. Gillan reported that in *Executive Session*, the Committee took action on items a4, a5 and a6 and discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 9:31 a.m. Eastern Time.

/s/ Ellis Jacobs
Secretary

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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
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 January 29, 2018 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. 	5
Wayne	<p>i1. USAC Internal Audit Division Business Update</p> <ul style="list-style-type: none"> • Beneficiary and Contributor Audit Plans. • Payment Quality Assurance. • Corporate Assurance. 	10

<u>EXECUTIVE SESSION</u>		<i>Estimated Duration in Minutes</i>
Wayne	<p>i1 USAC Internal Audit Division Business Update (<i>Continued</i>) – Confidential –Executive Session Recommended.</p> <ul style="list-style-type: none"> • Program Risk Analysis. 	10
Wayne	<p>a2. Consideration of the 2018 USAC Internal Audit Plan – Confidential –Executive Session Recommended.</p>	20
Jarnice	<p>a3. Action on Three USAC Internal Audit Division Operational Audit Report – Confidential – Executive Session Recommended.</p>	15
Chair	<p>i2. Executive Session with USAC’s Vice President of Internal Audit – Confidential – Executive Session Recommended.</p>	20

Next Scheduled USAC Audit Committee Meeting

<p>Monday, July 23, 2018 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

AUDIT COMMITTEE MEETING
Monday, April 23, 2018

MINUTES¹

The quarterly meeting of the USAC Board of Directors (Board) Audit Committee (Committee) was held at USAC's offices in Washington, D.C. on Monday, April 23, 2018. Mr. Feiss, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with four of the five Committee members present.

Choroser, Beth
Feiss, Geoff – Chair

Gillan, Joe
Wibberly, Dr. Kathy

Members of the Committee not present:

Tinic, Atilla – Vice Chair

Other Board members and officers of the corporation present:

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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Augustino, Steve	Kelley Drye & Warren LLP

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

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

<u>NAME</u>	<u>COMPANY</u>
Ayer, Catriona	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jennifer	USAC
Daniels, Joel	USAC
Desrocher, Michael	USAC
Goode, Vernell	USAC
Haus, Allen	Avitecture
Hughet, Pamela	USAC
King, Lauren	USAC
Lear, Kathleen	Maximus
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Tawes, Pauline	USAC
Tomlin, Nicole	USAC

OPEN SESSION

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

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

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

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

- (1) **a2** – Approval of the 2018 Internal Audit Plan. USAC management recommends that this matter be discussed in *Executive Session* because the basis to support the changes relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (2) **a3** – Action on Three USAC Internal Audit Division Operational Audit Reports. USAC management recommends that this matter be discussed in Executive Session because these reports relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (3) **i2** – Executive Session with USAC’s Vice President of Internal Audit. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.

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

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

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

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

At 8:33 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- i1. USAC Internal Audit Division Business Update (*Continued*).** Mr. Scott continued his report and provided an overview of risks identified in the FY2016 BCAP audits and the corrective action plans for the FY2017 BCAP audits.
- a2. Consideration of the 2018 USAC Internal Audit Plan.** Mr. Scott presented this item to the Committee for consideration, noting that the 2018 USAC Internal Audit Plan is divided between audits within the USF and audits of USAC's enterprise functions. The Plan also includes internal control validations of key business processes to mitigate any potential risks.

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

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

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

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

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

RESOLVED, that the USAC Audit Committee, having reviewed the USAC Internal Audit Division (IAD) operational audit reports listed in Exhibit I and included as Attachments A through C to item aAC03cf 042318 in the Audit Briefing Book – Audit Reports, accepts the recommendations of USAC management and hereby deems the reports final.

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

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

At 9:49 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that, in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i1 and i2.

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

/s/ Ernesto Beckford
Assistant Secretary

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

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

<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of April 23, 2018.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p>	5
Wayne	i1. USAC Internal Audit Division Business Update.	20

<u>EXECUTIVE SESSION</u>		
Wayne	i2. USAC Internal Audit Division Business Update. (<i>Continued</i>)	
Wayne	<p>a2. Acceptance of USAC’s 2017 Annual Financial Audit and Agreed-Upon Procedures Review – Confidential – <i>Executive Session Recommended.</i></p> <p style="text-align: center;"><i>Same as Item 3BODIcf</i></p>	20
Wayne	a3. Consideration of Contract Amendment for Procurement and Compensation Audits– <i>Executive Session Recommended.</i>	10
Wayne	i3. Audit Committee Executive Session with USAC’s Independent Audit Firm – PricewaterhouseCoopers LLP – Confidential – <i>Executive Session Recommended.</i>	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, October 29, 2018 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

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

AUDIT COMMITTEE MEETING
Monday, July 23, 2018

MINUTES¹

The quarterly meeting of the Audit Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Monday, July 23, 2018. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with all five Committee members present:

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

Other Board members and officers of the corporation present:

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

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Jarnice	USAC
Anderson, Latoya	USAC
Ayer, Catriona	USAC
Carpenter, Nikki-Blair	USAC
Delmar, Teleshia	USAC
Francisco, Dale	USAC

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

<u>NAME</u>	<u>COMPANY</u>
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Haus, Allen	Avitecture
Hawkins, Crystal	USAC
Huynh, Linh	USAC
King, Lauren	USAC
Leonard, Tom	PwC
Nuzzo, Patsy	USAC
Richardson, Rashonda	USAC
Smith, Chris	USAC
Smith, Porchia	USAC
Tawes, Pauline	USAC
Tomlin, Nicole	USAC
Tuistra, Jason	PwC

OPEN SESSION

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

a1. Consent Items. Mr. Feiss presented these items to the Committee and requested the addition of item i4 for discussion in *Executive Session* with only Board members present.

A. Approval of Committee meeting minutes of April 23, 2018.

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

- (1) **i2.** – USAC Internal Audit Division Business Update. (*Continued*) USAC management recommends that this matter be discussed in Executive Session because this matter relates to USAC’s *internal personnel matters*.
- (2) **a2** – Acceptance of USAC’s 2017 Annual Financial Audit and Agreed-Upon Procedures Review. USAC management recommends that this matter be discussed in *Executive Session* because the basis to support the changes relate to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
- (3) **a3** – Consideration of Contract Amendment for Procurement and Compensation Audits. USAC management recommends that this matter be discussed in Executive Session because this matter relates to USAC’s *procurement strategy and contract administration*.
- (4) **i3** – Audit Committee Executive Session with USAC’s Independent Audit Firm. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

- (5) **i4.** – Audit Committee and Board members in Executive Session. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

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

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

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

At 8:48 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- i2.** **USAC Internal Audit Division Business Update (*Continued*).** Mr. Scott continued his report and provided an update on the division's employee engagement activities.
- a2.** **Acceptance of USAC's 2017 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott introduced Mr. Leonard and Mr. Tuistra to present the results of the 2017 Annual Financial Audit and Agreed-Upon Procedures Review conducted by PwC.

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 2017 Financial Audit Report as submitted by PricewaterhouseCoopers LLP, hereby deems the report final; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC 2017 Agreed-Upon Procedures Review Report as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

- a3.** **Consideration of Contract Amendment for Procurement and Compensation Audits.** Mr. Scott presented this item to the Committee for consideration.

On a motion duly made and seconded and after discussion, with Mr. Gillan voting no, the Committee adopted the following resolution:

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

RESOLVED, that the USAC Audit Committee, having reviewed the recommendation of USAC management, hereby authorizes management increase the award to Crowe Horwath LLP in the amount of \$5,700.

At 9:05 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board and PricewaterhouseCoopers, LLP present for the purpose of discussing item i2.

i3. Audit Committee Executive Session with USAC's Independent Audit Firm – PricewaterhouseCoopers LLP. Mr. Feiss and the Audit Committee discussed this item.

At 9:25 a.m. Eastern Time, on a motion duly made and seconded, the Committee continued in *Executive Session* with only members of the Committee and Board present to discuss item i4.

i4. Audit Committee Executive Session with Committee and Board members only. Mr. Feiss and the Audit Committee discussed this item.

At 9:48 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that, in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i2, i3, and i4.

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

/s/ Ernesto Beckford
Assistant Secretary

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Audit Committee Quarterly Meeting
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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	a1. Consent Items (each available for discussion upon request): A. Approval of Audit Committee Meeting Minutes of July 23, 2018. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> .	5
Teleshia	a2. Cadence of Annual Audit Committee Reports and 4 th Quarter 2018 Audit Committee Reports	20
Teleshia	A. Acceptance of the Annual Assessment of the Independence and Financial Literacy of USAC Audit Committee Members	
Chris	B. Annual Review of the Effectiveness of USAC’s Process to Assess and Minimize Significant Risks	
Charlie	C. USAC’s Financial Reporting Process	
Teleshia	i1. USAC Audit and Assurance Division Business Update	15

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Pauline	i2. USAC Audit and Assurance Division Business Update (<i>Continued</i>)	10
Teleshia	a3. Annual Review of the Audit and Assurance Division Charter and Operations of the Audit and Assurance Division	15
Lisa	a4. Action on One Rural Health Care Office of Management and Budget (OMB) Circular A-123 Internal Controls Review Report	10
Teleshia	i3. Executive Session with USAC’s Vice President of Audit and Assurance	10
Chair	i4. Executive Session -- Audit Committee Only	20

Next Scheduled USAC Audit Committee Meeting

<p>Monday, January 28, 2019 8:00 a.m. – 9:30 a.m. USAC Offices, Washington, D.C.</p>

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700 12th Street, N.W., Suite 900
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AUDIT COMMITTEE MEETING
Monday, October 29, 2018

MINUTES¹

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

Other Board members and officers of the corporation present:

Beckford, Ernesto – Vice President, General Counsel, and Assistant Secretary
Beyerhelm, Chris – Vice President of Enterprise Portfolio Management
Bocher, Bob – Member of the Board
Delmar, Teleshia – Vice President of Audit and Assurance
Fontana, Brent – Member of the Board
Garber, Michelle – Vice President of Lifeline
Gaither, Victor – Vice President of High Cost
Holstein, Bob – Vice President and Chief Information Officer
Kinser, Cynthia – Member of the Board – *by telephone*
Lubin, Joel – Member of the Board
Salvator, Charles – Vice President of Finance, Chief Financial Officer, and Assistant Treasurer
Sekar, Radha – Chief Executive Officer
Sweeney, Mark – Vice President of Rural Health Care

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Latoya	USAC
Boler, Natasha	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC
Augustino, Steve	Kelley Drye & Warren, LLP
Bonuccelli, Marge	Maximus

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

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<u>NAME</u>	<u>COMPANY</u>
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Hughet, Pamela	USAC
Jaruboon, Jetshada	Maximus
Nuzzo, Patsy	USAC
Richardson, Rashonda	USAC
Riley, Adam	USAC
Santana-Gonzalez, Jeanette	USAC
Smith, Chris	USAC
Smith, Denise	Kelley Drye & Warren, LLP
Tawes, Pauline	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC

OPEN SESSION

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

- a1. Consent Items.** Mr. Feiss presented these items to the Committee.
- A.** Approval of Committee Meeting Minutes of July 23, 2018.
 - B.** Approval of Moving all *Executive Session* Items to *Executive Session*:
 - (1) **i2** – USAC Audit and Assurance Division Business Update (*Continued*). USAC management 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.
 - (2) **a3** – Annual Review of the Audit and Assurance Division Charter and Operations of the Audit and Assurance Division. USAC management 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.
 - (3) **a4** – Action on One Rural Health Care Office of Management and Budget (OMB) Circular A-123 Internal Controls Review Report. USAC management 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.
 - (4) **i3** – Audit Committee Executive Session with USAC’s Vice President of Audit and Assurance. USAC management recommended that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

- (5) **i4** – Executive Session with Audit Committee (only). USAC management recommended that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

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

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

- a2. Cadence of Annual Audit Committee Reports and 4th Quarter 2018 Audit Committee Reports.** Ms. Delmar introduced 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 cadence for annual Committee reports as required by the Committee Charter, accepts the recommendation of USAC management to present said reports to the Committee in accordance with the frequency noted in the table above.

- A. Acceptance of the Annual Assessment of the Independence and Financial Literacy of USAC Audit Committee Members.** Ms. Delmar introduced this item for discussion.

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

RESOLVED FURTHER, that the USAC Audit Committee accepts the assessment and agrees that the Audit Committee consists of independent members and that there is a sufficient level of financial expertise.

- B. Annual Review of the Effectiveness of USAC's Process to Assess and Minimize Significant Risks.** Mr. Beyerhelm presented this to the Committee for discussion. The Committee discussed at length Corporate Assurance and Financials audits to determine how the risks would be identified, audited, and reported back to the Committee. At the request of Mr. Feiss, the discussion was deferred for additional discussion during item i3, the Executive Session with USAC's Vice President of Audit and Assurance.

- C. USAC's Financial Reporting Process.** Mr. Salvator presented this item to the Committee for consideration.

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

RESOLVED FURTHER, that the USAC Audit Committee accepts the effectiveness of USAC's financial reporting process.

- i1. USAC Audit and Assurance Division Business Update.** Ms. Delmar presented this item to the Committee for discussion. She provided an update on the Beneficiary and Contributor Audit Program (BCAP) and Payment Quality Assurance (PQA) audits and noted that both Corporate Assurance audits reports were with the FCC for review of management's corrective actions. Ms. Delmar stated that an internal controls review of the Rural Health Care Program would be discussed in *Executive Session* and that the follow-up review of the High Cost modernization funds was complete. Ms. Delmar reviewed with the Committee the Audit and Assurance Division's activities, including forensic audits and audits requested by FCC Chairman Pai. She concluded with an overview of the status of the Corporate Assurance audits for Rural Health Care, High Cost, and Human Resources.

At 8:53 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential items noted above.

EXECUTIVE SESSION

- i2. USAC Audit and Assurance Division Business Update (Continued).** Ms. Tawes provided overview of the PQA Improper Payment Results.
- a3. Annual Review of the Audit and Assurance Division Charter and Operations of the Audit and Assurance Division.** Ms. Delmar presented this item for discussion.

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

RESOLVED, that the USAC Audit Committee, approves the recommended changes to the Audit and Assurance Division Charter.

RESOLVED FURTHER, that the USAC Audit Committee, approves the appointment of Ms. Teleshia Delmar as the Vice President of Audit and Assurance.

- a4. Action on One Rural Health Care Office of Management and Budget (OMB) Circular A-123 Internal Controls Review Report.** Ms. Lee presented this item to the Committee for consideration.

On a motion duly made and seconded and after discussion, with Mr. Gillan voting in opposition, the Committee adopted the following resolution:

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RESOLVED, that the USAC Audit Committee, having reviewed the Rural Health Care OMB Circular A-123 Internal Controls Review Report, accepts the recommendation of USAC management and hereby deems the report final.

At 9:38 a.m. Eastern Time, the meeting continued in *Executive Session* with only members of the Board and Ms. Delmar present for the purpose of discussing item i3.

i3. Executive Session with USAC's Vice President of Audit and Assurance. Mr. Feiss and the Audit Committee discussed this item.

i4. Executive Session – Audit Committee Only. This item was deferred.

At 10:05 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Feiss reported that, in *Executive Session*, the Committee took action on items a3 and a4 and discussed items i2 i3, and i4.

On a motion duly made and seconded, the Committee adjourned at 10:05 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary