

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

<p>Monday, January 28, 2019 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	a1. Consent Items (each available for discussion upon request): A. Approval of Audit Committee Meeting Minutes of October 29, 2018. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i> .	5
Chair	a2. Recommendation for Election of Committee Chair and Vice Chair	5
Teleshia	a3. Approval of 2019 Audit Committee Charter	25
Teleshia	i1. USAC Audit and Assurance Division Business Update <ul style="list-style-type: none"> • 2018 Accomplishments • 2019 Goals • BCAP and PQA Activities 	30
Dale Francisco	i2. Information on FY2018 FCC Agency Financial Report: USF Audit Summary	10

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Teleshia	i3. Executive Session with USAC’s Vice President of Audit and Assurance	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, April 29, 2019 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, January 28, 2019

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, January 28, 2019. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 8:01 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
Delmar, Teleshia – Vice President of Audit and Assurance
Fontana, Brent – Member of the Board
Holstein, Bob – Vice President and Chief Information Officer
Kinser, Cynthia – 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
Schell, Julie Tritt – Member of the Board
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
Ayer, Catriona	USAC
Braxton-Johnson, Kianna	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>
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC
Francisco, Dale	USAC
Goode, Vernell	USAC
Haus, Allen	Avitecture
Hughet, Pamela	USAC
Murray, Sheila	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Smith, Chris	USAC
Smith, Denise	Kelley Drye & Warren, LLP
Stephenson, Karen	USAC
Tawes, Pauline	USAC
Tiwari, Tanya	USAC
Tomlin, Nicole	USAC
Willis, Catherine	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 October 29, 2018.
 - B.** Approval of Moving all *Executive Session* Items into *Executive Session*:
 - (1) **i3** – Executive Session with USAC’s Vice President of Audit and Assurance. 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 29, 2018; and (2) discussion in *Executive Session* of the items noted above.

- a2. Recommendation for Election of Committee Chair and Vice Chair.** Mr. Feiss introduced this item and Mr. Mason, Chair of the Nominating Committee, shared the Nominating Committee recommendations for the leadership positions.

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 **Geoff Feiss** as Chair and **Atila 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 the 2019 Audit Committee Charter.** Mr. Feiss presented this item to the Committee for consideration. The Committee received a draft copy of the revised Audit Committee Charter. During the discussion, the Committee noted that the draft left blank the name of the audit plan referenced in Section I.B.4. of the Charter, and determined that the name entered in the blank should be the Strategic Audit Plan.

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 current Audit Committee Charter and the proposed changes presented by the USAC Audit and Assurance Division, recommends that the USAC Board of Directors approve the revised Audit Committee Charter.

- i1 USAC Audit and Assurance Division Business Update.** Ms. Delmar presented PowerPoint slides covering the following to the Committee:
1. Action items and updates from the October 2018 Committee meeting
 2. 2018 Accomplishments
 3. 2018 Operational Results
 4. 2019 Goals and Objectives
 5. 2019 Look Ahead
 6. Discussion Topics – 2019 Audit Plan
 - a. Beneficiary and Contributor Audit Program (BCAP)
 - b. Payment Quality Assurance (PQA)
 7. Audit and Assurance Division at a Glance

USAC agreed to a Committee request to revert back to posting all non-confidential audit reports regardless of whether the entity disputes or agrees with the audit findings.

- i2. Information on FY2018 FCC Agency Financial Report: USF Audit Summary.** Mr. Francisco presented this item to the Committee for discussion. The presentation included a PowerPoint slide with an overview of the FY 2018 FCC Agency Financials Report.

At 9:32 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential item noted above. The meeting continued with only members of the Board and Ms. Delmar present.

EXECUTIVE SESSION

i3. *Executive Session with USAC's Vice President of Audit and Assurance.* The Committee met with USAC's Vice President of Audit and Assurance, pursuant to the requirements set forth in USAC's Audit Committee Charter.

At 9:59 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 discussed item i3.

On a motion duly made and seconded, the Committee adjourned at 9:59 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

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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 January 28, 2019.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p> <p style="padding-left: 20px;">C. Review of USAC’s Processes to Assess Compliance with Applicable Laws and Regulations.</p>	5
Teleshia	<p>i1. Audit and Assurance Division Business Update</p> <ul style="list-style-type: none"> • BCAP, PQA, and Strategic Audit (SA) Activities • Audit Duration Analysis 	25

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Carol Boakye-Gyan	a2. Action on Two Operational Audit Reports	10
Teleshia	a3. Action on One Performance Audit Report	10
Teleshia	i2. Executive Session with USAC’s Vice President of Audit and Assurance	10

Next Scheduled USAC Audit Committee Meeting

<p>Monday, July 29, 2019 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 29, 2019

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, April 29, 2019. Mr. Atilla Tinic, Committee Vice Chair, called the meeting to order at 8:00 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth
Gillan, Joe

Kinser, Cynthia – *by telephone*
Tinic, Atilla – Vice Chair

Members of the Committee not present:

Feiss, Geoff – Chair

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
Delmar, Teleshia – Vice President of Audit and Assurance
Domenech, Dr. Dan – Member of the Board
Lubin, Joel – Member of the Board
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Schell, Julie Tritt – Member of the Board
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, Latoya	USAC
Baer, Michael	USAC
Barrett, Henry	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>
Boakye-Gyan, Carol	USAC
Boden, Jerry	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	USAC
Daniels, Joel	USAC
Gelman, Sheryl	USAC
Hughet, Pamela	USAC
Hutchinson, Kyle	USAC
Kriete, Debra	SECA & South Dakota DOE
Lawson, Suzanne	USAC
Luton, Smith	Avitecture
Lutz, Corey	USAC
Lutz, Kevin	USAC
Medlock, David	USAC
Mihalsky, Anna	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Schwetz, Tori	USAC
Smith, Chris	USAC
Stephenson, Karen	USAC
Tiwari, Tanya	USAC

OPEN SESSION

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

- a1. Consent Items.** Mr. Tinic presented this item to the Committee.
- A.** Approval of Committee Meeting Minutes of January 28, 2019.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a2** – Action on Two Operational Audit Reports. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a3** – Action on One Performance Audit Report. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **i2** – *Executive Session* with USAC’s Vice President of Audit and Assurance. 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. In accordance with Section III.G of the Committee's Charter, the Committee, in consultation with USAC's General Counsel, is required to review the processes established to assure compliance by USAC with all applicable laws.

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 January 28, 2019; (2) discussion in *Executive Session* of the items noted above; and (3) USAC's Processes to Assess Compliance with Applicable Laws and Regulations.

- i1. **Audit and Assurance Division Business Update.** Ms. Delmar and Ms. Carpenter presented PowerPoint slides covering the following to the Committee:

1. Action item and updates from the January 2019 Audit Committee meeting
2. Overview of activities for 2019
3. Discussion Topics:
 - a. Beneficiary and Contributor Audit Program (BCAP), Payment Quality Assurance (PQA), and Strategic Audit (SA) activities
 - b. Audit duration analysis

During the discussion, Mr. Tinic requested a comparison of the new blended audit methodology and a solely risk-based audit methodology to assess the validity of the risk factors used. Ms. Delmar noted that, with the various types of audits being conducted, there would be some overlap, and wanted to level set to avoid companies participating in multiple audits simultaneously.

At 9:01 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. The meeting continued with only members of the Board, Ms. Delmar, Mr. Beyerhelm, Mr. Beckford, Ms. Boakye-Gyan, and Ms. Carpenter present.

EXECUTIVE SESSION

- a2. **Action on Two Operational Audit Reports.** Ms. Boakye-Gyan presented both audit reports to the Committee for consideration.

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

RESOLVED, that the USAC Audit Committee, having reviewed two USAC Operational Audit Reports, accepts the recommendation of USAC management and hereby deems the reports final.

At 9:20 a.m. Eastern Time, on a motion duly made and seconded, the Committee continued in *Executive Session* with only members of the Board, Ms. Delmar, Mr. Beckford, and Mr. Davis present.

- a3. Action on One Performance Audit Reports.** Ms. Delmar and Mr. Davis presented the audit report and USAC management's response to the Committee for discussion.

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

RESOLVED, that the USAC Audit Committee, having reviewed one Performance Audit Report, accepts the recommendation of USAC management and hereby deems the report, including USAC management's response to the report, as final.

At 9:53 a.m. Eastern Time on a motion duly made and seconded, the Committee continued in *Executive Session* with only non-staff members of the Board and Ms. Delmar present.

- i2. Executive Session with USAC's Vice President of Audit and Assurance.** The Committee met with USAC's Vice President of Audit and Assurance, pursuant to the requirements set forth in USAC's Audit Committee Charter.

At 10:06 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Tinic reported that, in *Executive Session*, the Committee took action on items a2 and a3 and discussed item i2.

On a motion duly made and seconded, the Committee adjourned at 10:06 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

**Universal Service Administrative Company
Audit Committee Quarterly Meeting
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<p>Monday, July 29, 2019 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 item is available for discussion upon request):</p> <p style="padding-left: 20px;">A. Approval of Audit Committee Meeting Minutes of April 29, 2019.</p> <p style="padding-left: 20px;">B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>.</p>	5
Teleshia	<p>i1. Audit and Assurance Division Business Update</p> <ul style="list-style-type: none"> • Beneficiary and Contributor Audit Program (BCAP) • Payment Quality Assurance (PQA) • Strategic Audit (SA) • AAD Operational Results 	25

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Carol	a2. Approval of the Strategic Audit Plan	10
Charlie/PwC	<p>a3. Acceptance of USAC’s 2018 Annual Financial Statement Audit and Agreed-Upon Procedures Review</p> <p style="text-align: center;"><i>Same as iBOD02cf</i></p>	20
PwC	i2. Audit Committee Executive Session with USAC’s Independent Audit Firm	20
Teleshia	i3. Executive Session with USAC’s Vice President of Audit and Assurance	10

Next Scheduled USAC Audit Committee Meeting

<p>Monday, October 28, 2019 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 29, 2019

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 29, 2019. Mr. Atilla Tinic, Committee Vice Chair, called the meeting to order at 8:00 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth
Gillan, Joe

Kinser, Cynthia – *by telephone*
Tinic, Atilla – Vice Chair

Members of the Committee not present:

Feiss, Geoff – Chair

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
Delmar, Teleshia – Vice President of Audit and Assurance
Lubin, Joel – Member of the Board
Salvator, Charles – Vice President, 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>
Bean, Peter	USAC
Boakye-Gyan, Carol	USAC
Braxton-Johnson, Kianna	USAC
Carpenter, Nikki-Blair	USAC
Crowe, Jen	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>
Francisco, Dale	USAC
Gelman, Sheryl	USAC
Goode, Vernell	USAC
Haas, Allen	Avitecture
Harrington, John	Funds for Learning
Hughet, Pamela	USAC
Kaplan, Peter	Funds for Learning
Kriete, Debra	SECA & South Dakota DOE
Lawson, Suzanne	USAC
Lenard, David	Erate Elite Services
Leonard, Thomas	PricewaterhouseCooper LLP
Medlock, David	USAC
Nelbach Nick	USAC
Nuzzo, Patsy	USAC
Richardson, Rashonda	USAC
Santana-Gonzalez, Jeanette	USAC
Stankus, Paul	CSM
Tiwari, Tanya	USAC
Ulom, Kayla	PricewaterhouseCooper LLP

OPEN SESSION

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

- a1. Consent Items.** Mr. Tinic presented this item to the Committee.
- A.** Approval of Committee Meeting Minutes of April 29, 2019.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **a2** – Approval of the Strategic Audit Plan. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a3** – Acceptance of USAC’s 2018 Annual Financial Statement Audit and Agreed-Upon Procedures Review. USAC management recommends that this matter be discussed in Executive Session because this matter relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **i2** – Audit Committee *Executive Session* with USAC’s Independent Auditor Firm. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.

- (4) **i3.** – *Executive Session* with USAC’s Vice President of Audit and Assurance. 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 29, 2019; (2) discussion in *Executive Session* of the items noted above.

- i1. Audit and Assurance Division Business Update.** Ms. Delmar presented PowerPoint slides covering the following to the Committee:
1. Action items and updates from the April 2019 Audit Committee meeting
 2. Audit and Assurance Division at a Glance
 3. Discussion Topics:
 - a. Beneficiary and Contributor Audit Program (BCAP),
 - b. Payment Quality Assurance (PQA);
 - c. Strategic Audit (SA) activities; and
 - d. Audit and Assurance Division Operational Results.

At 8:30 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

- a2. Approval of the Strategic Audit Plan.** Ms. Boakye-Gyan presented the Strategic Audit Plan to the Committee for consideration.

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

RESOLVED, that the USAC Audit Committee approves the Strategic Audit Plan.

- a3. Acceptance of USAC’s 2018 Annual Financial Statement Audit and Agreed-Upon Procedures Review.** Mr. Salvator introduced Mr. Leonard and Ms. Ulom from PricewaterhouseCooper, who then presented the annual audit report and review to the Committee for discussion.

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 2018 Financial Statement Audit Report, as submitted by PricewaterhouseCoopers LLP, hereby deems the report final; and

RESOLVED FURTHER, that the USAC Audit Committee, having reviewed the USAC 2018 Agreed-Upon Procedures Review Report, as submitted by PricewaterhouseCoopers LLP, hereby deems such report final.

At 8:50 a.m. Eastern Time the Committee continued in *Executive Session* with only non-staff members of the Board and Mr. Leonard and Ms. Ulom present.

i2. Audit Committee *Executive Session* with USAC's Independent Audit Firm. The Committee met with PricewaterhouseCoopers pursuant to the requirements set forth in USAC's Audit Committee Charter.

At 9:10 a.m. Eastern Time, the Committee continued in *Executive Session* with only non-staff members of the Board and Ms. Delmar present.

i3. *Executive Session* with USAC's Vice President of Audit and Assurance. The Committee met with USAC's Vice President of Audit and Assurance, pursuant to the requirements set forth in USAC's Audit Committee Charter.

OPEN SESSION

At 9:45 a.m. Eastern Time, the Committee moved out of *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Tinic reported that, in *Executive Session*, the Committee took action on items a2 and a3 and discussed items i2 and i3.

On a motion duly made and seconded, the Committee adjourned at 9:46 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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

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<u>OPEN SESSION</u>		<i>Estimated Duration in Minutes</i>
Chair	<p>a1. Consent Items (each item is available for discussion upon request):</p> <ul style="list-style-type: none"> A. Approval of Audit Committee Meeting Minutes of July 29, 2019. B. Approval of moving all <i>Executive Session</i> items into <i>Executive Session</i>. C. Annual Assessment of the Independence and Financial Literacy of Audit Committee Members D. Annual Review of the Adequacy of USAC’s System of Internal Controls (<i>See aAC05cf</i>) E. Annual Review of USAC’s Financial Reporting Process (<i>See aAC06cf</i>) 	10
Teleshia	<p>i1. Audit and Assurance Division Business Update</p> <ul style="list-style-type: none"> • Beneficiary and Contributor Audit Program (BCAP) • Payment Quality Assurance (PQA) • Strategic Audit (SA) 	15

<u>EXECUTIVE SESSION</u>		
Confidential – Executive Session Recommended		
Pauline	i2. Audit and Assurance Division Business Update (<i>Continued</i>)	10
Teleshia	a2. Review of the Audit and Assurance Division Charter	10
Teleshia	a3. Review of the USAC Audit and Assurance Division External Peer Review Report	10
Carol	a4. Action on One USAC Audit and Assurance Division Strategic Audit Report	10
Charlie	a5. Annual Review of Adequacy of USAC’s System of Internal Controls	5
Charlie	a6. Annual Review of USAC’s Financial Reporting Process	5
Teleshia	i3. Executive Session with USAC’s Vice President of Audit and Assurance	15

Next Scheduled USAC Audit Committee Meeting

<p>Monday, January 27, 2020 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, October 28, 2019

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, October 28, 2019. Mr. Geoff Feiss, Committee Chair, called the meeting to order at 8:00 a.m. Eastern Time, with a quorum of four of the five Committee members present:

Choroser, Beth	Gillan, Joe
Feiss, Geoff – Chair	Kinser, Cynthia

Members of the Committee not present:

Tinic, Atilla – Vice Chair

Other Board members and officers of the corporation present:

Ayer, Catriona – Vice President of Schools and Libraries
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
Garber, Michelle – Vice President of Lifeline
Lubin, Joel – Member of the Board
Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
Sekar, Radha – Chief Executive Officer
Schell, Julie Tritt – Member of the Board
Sweeney, Mark – Vice President of Rural Health Care
Wade, Dr. Joan Wade – Member of the Board
Wein, Olivia – Member of the Board

Others present:

<u>NAME</u>	<u>COMPANY</u>
Anderson, Latoya	USAC
Barrett, Henry	USAC
Bean, Peter	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>
Bellmore, Fred	Econometrica, Inc.
Boakye-Gyan, Carol	USAC
Brady, Jair	SLD
Braxton-Johnson, Kianna	USAC
Lutin, Smyth	Avitecture
Francisco, Dale	USAC
Goode, Vernell	USAC
James, Christine	USAC
Jarvis, Monica	USAC
Kaplan, Peter	Funds for Learning
Kriete, Debra	South Dakota DOE
Mitchell, Steve	USAC
Murray, Sheila	USAC
Nelbach Nick	USAC
Nuzzo, Patsy	USAC
Santana-Gonzalez, Jeanette	USAC
Sneed, Matt	USAC
Suggs-Moore, Vickie	USAC
Tawes, Pauline	USAC
Tiwari, Tanya	USAC
Ward, Rashonda	USAC
Willis, Catherine	USAC

OPEN SESSION

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

- a1. Consent Items.** Mr. Feiss presented this item to the Committee.
- A.** Approval of Committee Meeting Minutes of July 29, 2019.
 - B.** Approval of moving all *Executive Session* items into *Executive Session*:
 - (1) **i2** – USAC Audit and Assurance Division Business Update (*Continued*). USAC management recommends that this matter be discussed in Executive Session because it relates to *specific internal controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (2) **a2** – Review of USAC’s Audit and Assurance Division Charter. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *specific internal controls, and/or confidential company data* that would constitute a discussion of internal rules and procedures.
 - (3) **a3** – Review of USAC’s Audit and Assurance Division Peer Review Report. USAC management recommends that this matter be discussed in Executive Session because it relates to *specific internal*

- controls, or confidential company data* that would constitute a discussion of internal rules and procedures.
- (4) **a4** – Action on One USAC Audit and Assurance Division Strategic Audit Report. USAC management recommends that this matter be conducted 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.
 - (5) **a5** – Annual Review of USAC’s System of Internal Controls. USAC management recommends that this matter be conducted 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.
 - (6) **a6** – Annual Review of USAC’s Financial Reporting Process. USAC management recommends that this matter be conducted 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.
 - (7) **i3** – *Executive Session* with USAC’s Vice President of Audit and Assurance. USAC management recommends that this matter be discussed in *Executive Session* pursuant to the guidelines in the approved Audit Committee Charter.
- C.** Annual Assessment of the Independence and Financial Literacy of Audit Committee Members. In accordance with Section II.A of the Committee’s Charter, the Committee members are required to meet established independence requirements.
- D.** Annual Review of the Adequacy of USAC’s System of Internal Controls. In accordance with Section III.F of the Committee’s Charter, the Committee is required to review the adequacy of USAC’s system of internal controls.
- E.** Annual Review of USAC’s Financial Reporting Process. In accordance with Section III.C of the Committee’s Charter, the Committee, is required to review the integrity of USAC’s financial reporting process.

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 July 29, 2019; and (2) discussion in *Executive Session* of the items noted above; and

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; and

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

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

- i1. Audit and Assurance Division Business Update.** Ms. Delmar presented PowerPoint slides covering the following to the Committee:
1. Action items and updates from the July 2019 Audit Committee meeting
 2. Audit and Assurance Division at a Glance
 3. Discussion Topics:
 - a. Beneficiary and Contributor Audit Program (BCAP);
 - b. Payment Quality Assurance (PQA);
 - c. Strategic Audit (SA) activities.

Mr. Feiss requested a mitigation plan and lessons learned for High Cost audits at the January Committee meeting.

At 8:36 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. Audit and Assurance Division Business Update (Continued). Ms. Tawes and Mr. Bellmore presented this item for discussion. The Committee requested that additional time be allotted for discussion on final Payment Quality Assurance Program results in future meetings.

a2. Review of the Audit and Assurance Division Charter. Ms. Delmar 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, that the Audit Committee of the USAC Board of Directors, approves the recommended changes to the Audit and Assurance Division Charter.

- a3. Review of the USAC Audit and Assurance Division External Peer Review Report.** Ms. Delmar 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, that the Audit Committee of the USAC Board of Directors, having reviewed the external Peer Review report submitted by Honkamp Krueger & Co, P.C., hereby deems the report final.

- a4. Action on One USAC Audit and Assurance Division Strategic Audit Report.** Ms. Boakye-Gyan presented the Strategic Audit Report to the Committee for consideration.

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 Audit and Assurance Division strategic audit report of USAC's Corporate Credit Card process, accepts the recommendation of USAC management and hereby deems the report final.

- a5. Annual Review of Adequacy of USAC's System of Internal Controls.** This item was approved with the Consent Items, no additional discussion was held.
- a6. Annual Review of USAC's Financial Reporting Process.** This item was approved with the Consent Items, no additional discussion was held.

At 9:24 a.m. Eastern Time, the Committee continued in *Executive Session* with only non-staff members of the Board and Ms. Delmar present.

- i3. Executive Session with USAC's Vice President of Audit and Assurance.** The Committee met with USAC's Vice President of Audit and Assurance, pursuant to the requirements set forth in USAC's Audit Committee Charter.

OPEN SESSION

At 9:57 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, a3 and a4 and discussed items i2 and i3.

On a motion duly made and seconded, the Committee adjourned at 9:59 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary