Universal Service Administrative Co.

Executive Committee

Briefing Book

Thursday, January 23, 2020

11:00 a.m. - 12:30 p.m. ET

Universal Service Administrative Co. Offices

700 12th Street NW, Suite 900

Washington, DC, 20005

Universal Service Administrative Company
Executive Committee Quarterly Meeting
Agenda

Thursday, January 23, 2020
Thursday, January 23, 2020
11:00 a.m. – 12:30 p.m. Eastern Time
USAC Offices
700 12th Street, N.W., Suite 900
Washington, D.C. 20005

	OPEN SESSION		*Estimated Duration in Minutes*

Chair	**a1.**	Consent Items (each available for discussion upon request):
		   A. Approval of Executive Committee Meeting Minutes of October 24, 2019
		   B. Approval of moving all *Executive Session* items into *Executive Session*
			5

Radha & Kyle	**i1.**	CEO Update • October 2019 Board and Committee Recaps • 2019 Accomplishments • 2020 Initiatives • Information Technology Update	40

EXECUTIVE SESSION **Confidential** – *Executive Session Recommended*.			*Estimated Duration in Minutes*
Charlie	**i2.**	Information on Contribution Factor	15
Radha/ Joel	**i3.**	Discussion of FCC / USAC Executive Committee Quarterly Meeting.	10

Next Scheduled USAC Executive Committee Meeting

Thursday, April 23, 2020
Thursday, April 23, 2020
11:00 a.m. – 12:30 a.m. Eastern Time
USAC Offices, Washington, D.C.

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**Universal Service Administrative Company
Executive Committee Meeting**

ACTION ITEM

Consent Items

Action Requested

The Executive Committee (Committee) of the USAC Board of Directors (Board) is requested to approve the consent items listed below.

Discussion

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

A. Committee meeting minutes of October 24, 2019 (*see* **Attachment A**).

B. Approval of moving all *Executive Session* items into *Executive Session*:

    (1) **i2 –** Information on Contribution Factor. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *internal controls or confidential company data*, and may also include *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

    (2) **i3** – Discussion of FCC-USAC Executive Committee Quarterly Meeting. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of *confidential company data*, and *pre-decisional matters pending before the FCC*.

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

Recommended USAC Executive Committee Action

APPROVAL OF THE FOLLOWING RESOLUTION:

        RESOLVED, that the USAC Board of Directors Executive Committee hereby approves: (1) the Committee meeting minutes of October 24, 2019; and (2) discussion in *Executive Session* of the items noted above.

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

EXECUTIVE COMMITTEE MEETING
Thursday, October 24, 2019

(DRAFT) MINUTES[1]

The quarterly meeting of the Executive Committee (Committee) of the USAC Board of Directors (Board) was held at USAC's offices in Washington, D.C. on Thursday, October 24, 2019. Mr. Joel Lubin, Committee Chair, called the meeting to order at 11:02 a.m. Eastern Time with a quorum of six of the eight Committee members present.

   Feiss, Geoff – *by telephone*
   Gillan, Joe – Vice Chair – *by telephone*
   Lubin, Joel – Chair – *by telephone*
   Mason, Ken – Treasurer – *by telephone*
   Sekar, Radha – Chief Executive Officer
   Wein, Olivia – Secretary – *by telephone*

Committee members not present:

   Domenech, Dr. Dan
   Wibberly, Dr. Kathy

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
   Bocher, Bob – Member of the Board – *by telephone*
   Buzacott, Alan – Member of the Board – *by telephone*
   Davis, Craig – Vice President of Procurement and Strategic Sourcing
   Delmar, Teleshia – Vice President of Audit and Assurance
   Gaither, Victor – Vice President of High Cost
   Garber, Michelle – Vice President of Lifeline
   Hutchinson, Kyle – Vice President of IT and Chief Information Officer
   Kinser, Cynthia – Member of the Board – *by telephone*
   Salvator, Charles – Vice President, Chief Financial Officer, and Assistant Treasurer
   Schell, Julie Tritt – Member of the Board – *by telephone*
   Sweeney, Mark – Vice President of Rural Health Care

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[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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Others present:

NAME	**COMPANY**
James, Christina	USAC
Mitchell, Tamika	USAC
Nuzzo, Patsy	USAC
Tiwari, Tanya	USAC

OPEN SESSION

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

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

    A. Approval of Executive Committee Meeting Minutes of July 25, 2019.

    B. Approval of Moving all *Executive Session* Items into *Executive Session*:

        (1) **i1** – CEO Business Update. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of *internal controls and/or confidential company data*, and *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

        (2) **i2 –** Information on Contribution Factor. USAC management recommends that this matter be discussed in *Executive Session* because it relates to *internal controls, and/or confidential company data*, and may also include *pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

        (3) **i3** – Discussion of FCC-USAC Executive Committee Quarterly Meeting. USAC management recommends that this item be discussed in *Executive Session* because it may include discussion of *confidential company data*, and *pre-decisional matters pending before the FCC*.

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

        RESOLVED, that the USAC Board of Directors Executive Committee hereby approves: (1) the Committee meeting minutes of July 25, 2019; and (2) discussion in *Executive Session* of the items noted above.

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

EXECUTIVE SESSION

i1. **CEO Business Update.** Ms. Sekar presented PowerPoint slides covering the following items to the Committee for discussion:
- Action Items and Updates from the July 2019 Board and Committee Quarterly Meetings
- FISMA
- 2020 Priorities
  o Digital Opportunity Data Collection
  o Rural Health Care Connected Care Pilot Program
  o E-rate Modification of FCC Form 470
  o Lifeline National Verifier Rollout
  o High Cost Rural / Broadband Fund
  o Enterprise Resource Planning (ERP)
  o Rural Health Care Reform Order

i2. **Information on Contribution Factor.** Mr. Salvator presented this item to the Committee for discussion. The presentation included a written report providing USAC's estimate for the 1st quarter 2020 contribution factor.

i3. **Discussion of FCC / USAC Executive Committee Quarterly Meeting.** The Committee discussed potential topics for the FCC / USAC Executive Committee quarterly meeting. Mr. Lubin reminded the Committee that, during the course of the quarterly Board and Committee meetings, topics could be added to the agenda if necessary.

OPEN SESSION

At 11:54 a.m. Eastern Time, on a motion duly made and seconded, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time Mr. Lubin reported that, in *Executive Session*, the Committee discussed items i1, i2, and i3.

On a motion duly made and seconded, the Committee adjourned at 11:54 a.m. Eastern Time.

/s/ Ernesto Beckford
Assistant Secretary

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CEO Update

Executive Committee Meeting

January 23, 2020

Universal Service
Administrative Co.

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Agenda: CEO Update

Topic	Description	Purpose	Presenter	Length
October 2019 Board and Committee Recaps	Review action items and status from previous Board & Committee meetings	Informational	Radha	5 min
2019 Accomplishment	2019 Program and Enterprise Accomplishments	Informational	Radha	12 min
2020 Initiatives	2020 Program and Enterprise Major Initiatives	Informational	Radha	13 min
Information Technology Update	Impact of IT Reorganization Actions in progress as a result of IT Assessment 2020 Outlook – Key Initiatives	Informational	Kyle	9 min

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October 2019 Board Recap

Action items and updates from the previous Board meetings

Activity	Status
<u>Taxes:</u> Provide clarification on how taxes (in particular, taxes applicable to procurements) are accounted for in USAC's budget	Item will be addressed during annual budget discussion
<u>High Cost Model O&M:</u> Requested additional information on the High Cost Model O&M	Presentation included in High Cost Executive Session
<u>Employee Engagement Survey:</u> Requested employee engagement survey results are presented over time to show trends in responses	Will show trends over time for the next employee engagement results due later this year
<u>Employee Turnover & Retention:</u> Requested the following: 1. Turnover numbers and reasons over time, 2. USAC retention rates compared to other similar organizations 3. USAC retention rate for new college graduate hires vs more experienced employees	Presented in Human Resources Business Update

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October 2019 Audit Committee Recap

Action items and updates from the previous Audit Committee meeting

Activity	Status
BCAP: For the AAD Operational Results, (1) provide the cumulative audit recommended recovery and recaptured amounts over the last three years, including the impact of appeals and any timing issues.	This item is addressed in the AAD Business Update.
BCAP: Identify which audit findings are new or novel when the audit reports are presented to the Board.	USAC staff will present new or novel audit findings in the respective committee meetings.
High Cost Audit Backlog: Compile a list of lessons learned from the existing backlog of high cost audits and develop a mitigation plan to present at the January 2020 board meeting.	This item is addressed in executive session.
PQA: In future meetings, provide more time to discuss PQA improper payment results.	USAC staff will present the PQA improper payment results in each respective committee meeting when the PQA results are available in October 2020.

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October 2019 Schools and Libraries Committee Recap

Action items and updates from the previous Schools and Libraries Committee meeting

Activity	Status
<u>FY 2019 Fiber Applications:</u> When presenting data on fiber applications and commitments, break out the number and dollar amounts for self-construction vs. special construction.	Content provided in the Schools and Libraries Business Update.
<u>FY 2019 E-rate Broadband Report:</u> The Committee requested that USAC management seek FCC approval to allow Board members to inspect USAC's FY 2019 E-rate Broadband Report, in accordance with the Procedures for Requests by Board Members for Non-Public Information.	Note: The data used to create the report is available on USAC's open data platform, but the Board requested to see the full report, which is not public information and is a work product by USAC for the FCC (and therefore an FCC Record).

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October 2019 High Cost and Low Income Committee Recap

Action items and updates from previous HCLI Committee meetings

High Cost

Activity	Status
High Cost O&M Model: Requested additional information on the High Cost O&M Model	Content provided in iHCLI03.

Lifeline

Activity	Status
National Verifier: Document Submission Stats	Content provided in Lifeline Business Update.
National Verifier: 2020 Focus	Content provided in Lifeline Business Update.

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2019 Accomplishments

Schools and Libraries

- Successfully transitioned all operational areas to new BPO vendor that will result in significant operational cost savings over a five-year period

- Achieved 95% Sept 1 PIA benchmark as set by FCC

- Largest first PIA Wave issued in April with 18,515 applications for $530M

- Held 11 training events across the country for applicants, service providers, and tribal stakeholders attended by 1,400 participants
  - 77% of 524 participants submitting evaluations found the training helpful overall
  - 69% of 524 participants submitting evaluations found the content very effective

Rural Health Care

- Launched RHC Open Data offering, adding two datasets (commitments and disbursements, and posted services)

- Completed FY18 workable commitments in June, which included implementing FCC Order 19-45 on multi-year/upfront applications in under 10 days

- Created comprehensive strategy to implement 2019 RHC Program Reform Order, utilizing project management best practices and incorporating lessons learned from other programs

- Began assessment of RHC business and operations, which will inform longer term operational and system strategies and IT roadmaps

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2019 Accomplishments

Lifeline

- Delivered on the 2016 Lifeline Order's expectation to launch the National Verifier (NV) in all states, and territories by December 31, 2019 with significant cost efficiency
  - 38 hard launched / 18 soft launched
- Achieved 2 federal connections including HUD and CMS and 15 state database connections
- Launched the NV Carrier API, allowing carriers who sign an Interconnection Security Agreement with USAC to submit applications using an automated interface
  - First application received on 12/11; 150,000 applications received via API through 12/31

High Cost

- Implemented 64 High Cost-related FCC Orders and Notices requiring 37 system or process changes.
- Developed and Implemented the HUBB Bulk Modification to address US Telecom Request.
- Completed development of Performance Measures subscriber upload and randomizer

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2019 Accomplishments

Enterprise:

- Launched updated USAC website which improves search functionality and made key information readily available

- Successfully completed third-party E-Gov assessment and developed IT roadmap for 2020 and beyond

- Completed the final phase of the transfer of USF Cash to U.S Treasury in August 2019

- "Material weakness identified in FY 2018 downgraded in FY2019 FCC Agency Financial Report"

- Established Fraud Risk Group in the USAC Office of General Counsel, which will assist in implementing the GAO Fraud Risk Framework

- Released 85 Beneficiary and Contributor Audit Program (BCAP) audits

- Implemented modernized IT staffing strategy to better utilize professional services and manage contractors

- Executed a summer intern program, successfully initiated a college recruiting strategy and staffed incubator teams to balance the organization and expand internal knowledge base

- Obtained Authorization to Operate (ATO)/Risk acceptance for all USAC systems

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2020 Initiatives

<u>Schools and Libraries</u>

- Implement Category Two (C2) budget requirements for transition year FY 2020
- Execute the FCC 470 Drop Down Menu for FY 2021
- Create strategy to internally review subsets of operational transactions to gain insights into process and systems roadblocks and propose procedural improvements and system enhancements

<u>Rural Health Care</u>

- Begin Reform Order Implementation
  - Implement My Portal changes for FY 2020
  - Build and deploy rates databases
- Complete Business and Operations Assessment using results to inform RHC strategy and planning, including the IT roadmap

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2020 Initiatives

Lifeline

- Hard Launch the National Verifier in remaining 18 states
  - Complete reverification of all existing subscribers
  - Scale up operations to meet volumes of a fully implemented framework

- Conduct the Lifeline Risk Assessment and Program Evaluation

High Cost

- Develop and Implement High Cost Eligible Locations Adjustment Process (ELAP)
  - Collect and validate current and prospective location data and evidence
  - Verify location data submissions against multiple data sources
  - Publish Participant served / prospective location data maps
  - Collect Challenge data and evidence
  - Adjudicate challenges
  - Provide reporting and analytics on Participant / Stakeholder process activities

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2020 Initiatives

Enterprise

- Begin ERP (Addressing the feasibility of an ERP solution that will enable consolidation of all financial activities under one umbrella)

- Continue evidence based internal policy making by completing the Data Warehouse

- Pilot GAO Fraud Risk program in High Cost as a model for future implementation in all programs.

- Begin implementation of Supply Chain Order (Discussed in Executive Session)

- Develop IT Modernization based on the E-Gov assessment

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IT Reorganization Impact and Assessment Actions

IT REORGANIZATION & PROCESS CHANGES	IMPACT
Business Relationship Managers	• Single Point of contact for each Business Unit for IT Services • Streamlines communication, roles, & responsibilities
Adjusting Staffing Model	• Moving from augmented Staff to Professional Services • Changing and distinct roles for staff in a "Managed Services" type model
Increased Requirements & Technical Design discipline	• Formal artifacts, FCC checkoff, additional approval gates • FCC Coordination • Facilitates professional services system acquisition model

IT ASSESSMENT	ACTIONS
Consolidate financial functions across USF programs	• Financial functions analysis and ERP initiative
Retire Obsolete Systems and Technologies	• Legacy Schools and Libraries – Invoice processing replacement
Increase Automation	• Match process and workflow tools to manual processes
Modernization	• RHC Systems, High Cost Calculation Engine
Leverage New Technologies	• Business Rules, AI, Security Access mechanisms, Forms

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2020 IT Initiatives

	Deliverables	**Risks/Unknowns**
High Cost	• Eligible Locations Adjustment Process (ELAP) • Performance Measures (Phase 2 & 3)	• Solidifying Requirements to meet delivery Schedule
Lifeline	• Build Replica of Model Office/Preproduction Environment	• NV resides on the ServiceNow and the Accenture Insights Platform • Transfer of Knowledge from Accenture to USAC • Developing an Operational/Support USAC Team
RHC	• New Modernization Order system capabilities • RHC prototype with the use of Business Rules and ERP	• Unknowns revolving around ERP technology/interfaces, centralized business rules, and simultaneously incorporating new FCC requirements
E-rate	• FCC Form 470 (Services Requested) enhancements for an improved user experience • Holds / Watch Automation • Enhance Wave Process to improve Commitment speed • E-Rate Legacy System retirement plan	• The E-Rate Legacy system contains the invoicing system for all fund years which will require a complete and thoughtful retirement and transition plan
Infrastructure	• Analysis of Financial Mgmt operations across USF programs with improved integration and technology centered around an ERP • Address gaps in technology (EGov Assessment): Business rules management, Process Automation • Address aging applications – HC Disbursements Calculation engine, Schools Legacy System invoicing (via ERP), RHC applications, USF Finance applications (via ERP) • Populate Enterprise Data Warehouse for cross-program Business Intelligence & centralized data access • Grow cloud footprint - Extend current USF applications to public cloud	• Incorporating custom financial processes, applications, and USF business rules into a Commercial off the Shelf (COTS) ERP • Resourcing the replacement of aging applications under budget constraints

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Briefing book excludes all materials discussed in Executive Session.