



Corporation
for Public
Broadcasting

April 30, 2018

VIA ELECTRONIC MAIL

Ms. Mary Mitchelson
Inspector General
Corporation for Public Broadcasting
401 9th Street, N.W.
Washington, D.C. 20004

Dear Ms. Mitchelson,

RE: Limited Scope Audit of Indirect Administrative Support Reported as Non-Federal Financial Support at Houston Public Media, A Division of the University of Houston System, Houston, Texas for the Period September 1, 2015 – August 31, 2016 (Report No. ACJ1802-1801)

The audit of Houston Public Media referenced above directed one finding to the Corporation for Public Broadcasting (CPB) and our response follows.

The Office of Inspector General (OIG) recommends that CPB review and clarify the AFR Schedule B instructions in the Financial Reporting Guidelines (Guidelines) for the basic method to help institutional stations with varying and unique organizational structures apply guidance consistently when calculating indirect administrative support to ensure there is an equitable distribution of CPB funds.

CPB Determination: We have responded to this recommendation made in an earlier audit (Report ACJ1706-1708). Our position remains the same as stated below.

Our Guidelines were thoughtfully written so that they may be applied equally to straightforward or complex organizational structures. With 164 licensees using the basic method, creating customized rules would not be practical.

Further, to ensure accurate reporting we included a provision in the Guidelines that requires the station's indirect administrative support calculation be reviewed and attested to by its independent auditor when it submit that information to CPB. The underlying principles are well-known to independent accountants. Nonetheless, most of the errors discovered in the audit referenced above resulted when the station included costs in its licensee's cost pools that were not allowed under the Guidelines. We are not certain why its auditor did not detect the errors when the Guidelines are very clear.

We welcome any suggestions you may have to fine-tune the Guidelines. We regularly update them and recognize that the basic methodology is complicated. Therefore, we are evaluating all appropriate methodologies for calculating indirect costs to improve the consistency and accuracy of reporting these costs and consider this matter closed.

Please let me know if you have any questions or wish to discuss this issue further.

Kind regards,



Jackie J. Livesay
Assistance General Counsel & Vice President, Compliance

CC: VIA ELECTRONIC MAIL

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