Corporation for Public Broadcasting

Message from the Inspector General

October 2018

Station officials,

I'm writing to alert you to some of the Non-Federal Financial Support (NFFS) reporting errors we identified in our audits of stations in the last fiscal year (which ended September 30). Knowing the errors other stations have made should help you ensure that your financial reporting to the Corporation for Public Broadcasting (CPB) is accurate.

Last year, we audited more than $145 million of reported NFFS revenue from which we identified over $16 million in overstated NFFS, resulting in excess Community Service Grants (CSG) payments of $1.7 million. An error in a station's NFFS reporting affects not only that station's CSG award but also the pool of CSG funds available to all the other eligible stations. Therefore, it is critical that stations report their NFFS correctly to permit CPB to distribute the CSG funds equitably.

Inaccurate reporting also can subject your station to penalties. Last year, CPB imposed almost $117,000 in penalties on stations for misreporting their financial information or Communications Act compliance, all based upon findings from our audits.

Following are some of the reporting errors we identified this past year. To read our audit reports, go to our website, https://www.cpb.org/oig/reports.

Revenues improperly included in NFFS

- revenue from ineligible exchange transactions (lease income for the use of excess channel capacity and office space, online income for memorabilia and DVD sales, payments for analytic and production services the stations provided, payments for licensing and merchandizing rights, presenting fees);
- payments from ineligible sources (public broadcasting entities, a nonprofit);
- payments for production services from an eligible source but the production did not air on public media;
- ineligible or unsupported in-kind trades;
- unsupported revenues and adjustments;
- loss on endowments;
- underwriting revenues not adjusted for advertising agency fees paid by the donor;
- contribution to an ineligible recipient (a commercial station);
- overstated subsidies from licensee (for parking, interns, security guards, zone mechanics, AV technicians); and
- licensee revenues used for TV facilities and equipment improvements.

Revenues not adjusted from NFFS

- fair market value (FMV) of high-end premiums provided to donors (one station excluded the cost of the premiums rather than the FMV, another did not limit its exclusion to the value of the pledge when the FMV of the premium exceeded the value of the pledge);
- special fundraising costs;
- bad debt expense; and
- uncollectible membership and underwriting pledges.

Improperly calculated indirect administrative support NFFS

Institutional stations may report as NFFS indirect administrative support provided to them by their licensees. We found the following errors:

- understating the licensee's direct costs in calculating the institutional support rate;
- improperly applying the institutional support rate to cost pools that do not benefit the station (costs allocated to non-mission functions, costs for self-supporting auxiliary services, and costs supporting alumni relations);
- improperly applying the institutional support rate to fundraising and membership development costs;
- using an incorrect square footage to calculate the physical plant support rate; and
- not apportioning physical plant support costs between both TV and radio NFFS.

NFFS reporting guidelines are at https://www.cpb.org/stations/frg/. For questions on NFFS, please contact CPB at csg@cpb.org.

Communications Act compliance and discrete accounting

As an additional reminder, we also found stations that did not give proper advance notice of each of their board and committee meetings, make available to the public reasons for closing some meetings or its Employment Statistical Report from the Station Activity Report, or maintain discrete accounting of their CPB revenue and expenses. For information on Communications Act compliance and discrete accounting go to https://www.cpb.org/stations/certification and https://www.cpb.org/stations/discrete.

Thank you for your attention to accurate financial reporting and to compliance. It is important that you have confidence in your submissions to CPB, which are annually certified by your Board Chair and General Manager. Your diligence will enable equitable distribution of CPB funds and promote the integrity of the public media system.

Sincerely,

Mary Mitchelson
Inspector General

To report suspected fraud, waste, or abuse, please contact our hotline: oigemail@cpb.org or 800-599-2170.