**Evaluation Report on the Viability of CPB’s Indirect Administrative Support Basic Method Option**

**What We Found**

Based on limited scope station audits and our evaluation of the Basic Method, we believe it does not achieve CPB’s goal to allocate costs to stations in proportions reasonably consistent with the stations’ use of the licensee’s resources.

Specifically, we found application errors in:

- calculating the institutional support allocation rate; and
- identifying indirect cost pools that include services that:
  - are an essential part of station operations;
  - are continuous and ongoing in support of the station;
  - the station uses or is required to use; or
  - were directly paid for by the station.

We also concluded that CPB’s design of the Basic Method results in an inequitable allocation of licensee resources among all users of the services.

**What We Recommend**

That CPB evaluate whether the Basic Method remains an effective option for claiming IAS and consider developing a *de minimis* indirect rate option like that permitted under current federal guidelines.

In response to the draft report, CPB disagreed with OIG conclusions but agreed that the Basic Method was complicated and said it is in the process of evaluating all appropriate methodologies for calculating IAS, a process which may be time consuming. We have not changed our findings or recommendations based upon CPB’s response.

CPB management will make the final determination on our findings and recommendations.