



**CORPORATION FOR PUBLIC  
BROADCASTING**

**SEMIANNUAL REPORT**

**OFFICE OF INSPECTOR GENERAL  
OPERATIONS**

**CPB AUDIT RESOLUTION ACTIVITIES**

**October 1, 2012 to March 31, 2013**

## **FOREWORD**

Congress created the Corporation for Public Broadcasting (CPB) in 1967 as a private nonprofit corporation chartered in the District of Columbia to promote noncommercial public telecommunications. In authorizing CPB, Congress made it clear that noncommercial television and radio in America, even though supported by Federal funds, must be absolutely free from any Federal Government interference beyond the mandate in the legislation. A nine-member Board of Directors (the Board) was established to govern CPB, set policy, and establish programming priorities. The Board is expected to have broad representation from throughout the country. Board members are selected from among citizens of the United States who are eminent in fields such as education, cultural and civic affairs, or the arts, including television and radio. Each member is appointed by the President and confirmed by the Senate for a six-year term.

CPB is the largest single source of Federal funding for public television and radio programming. It provides financial support and a variety of services to more than 1,000 public television and radio stations nationwide. CPB support ensures that stations can exchange program materials through a national interconnection system. In addition, CPB initiatives seek ways to help public television and radio stations serve their communities more efficiently and effectively. These initiatives make possible diverse and innovative programs that are educational and locally relevant. CPB also gives grants to organizations and to individual producers for the production or acquisition of new programs for public television and radio. These activities help provide universal access to the public broadcasting system.

CPB receives nearly all of its funding from Congress. Funds are appropriated two years before the fiscal year they are to be spent. This advanced funding provides stability for the planning and funding of long-term programs and projects. CPB's total Federal appropriations for Fiscal Year (FY) 2013 were approximately \$437 million. This includes \$421.9 million for the general Federal appropriation after consideration of the 0.2 percent rescission and the 5.0 percent reduction resulting from sequestration. CPB must spend at least 95 percent of its general Federal appropriation on grants/contracts to television and radio stations, producers of programs, and educational services, as well as, for general system support. The balance of the general Federal appropriation, up to five percent, may be expended for internal CPB operations. Additionally, CPB received a \$14.7 million U.S. Department of Education Ready To Learn grant.

In 1988, Congress enacted amendments to the Inspector General Act (IG Act) requiring that CPB, as one of a number of designated Federal entities, have an Office of Inspector General (OIG). In this regard, CPB's OIG is an independent component of the organization, reporting to the Board through its Audit and Finance Committee. In addition to reporting to the Board, the IG Act requires that the Inspector General and the head of the CPB each report semiannually to Congress and the public regarding OIG operations and activities. Since CPB is a small organization, we have combined these separate reporting requirements into one joint report. The OIG's report section is titled

"Office of Inspector General Operations" (page 1) and CPB's report section is titled "CPB Audit Resolution Activities" (page 16).

The IG Act reporting requirements are listed below, along with a page reference where more detailed information is provided.

### Index of IG Act Reporting Requirements

| IG Act Reference | OIG Reporting Requirements  | Page |
|------------------|---|------|
| Section 4(a)(2)  | Review of Legislation and Regulations   | None |
| Section 5(a)(1)  | Significant Problems, Abuses, and Deficiencies  | 4    |
| Section 5(a)(2)  | Recommendations With Respect to Significant Problems, Abuses, and Deficiencies  | 4    |
| Section 5(a)(3)  | Prior Significant Recommendations Not Yet Completed   | 9    |
| Section 5(a)(4)  | Matters Referred to Prosecutive Authorities   | None |
| Section 5(a)(5)  | Summary of Instances Where Information Was Refused or Not Provided  | None |
| Section 5(a)(6)  | List of Audit and Inspection Reports Issued   | 2    |
| Section 5(a)(7)  | Summary of Each Significant Report  | 4    |
| Section 5(a)(8)b | Statistical Table Showing the Number of Audit Reports and Dollar Value of Questioned Costs  | 2    |
| Section 5(a)(9)  | Statistical Table Showing the Number of Audit Reports and Dollar Value of Recommendations that Funds Be Put To Better Use                                       | 2    |
| Section 5(a)(10) | Summary of Audit Reports Issued Before the Start of the Reporting Period for Which No Management Decision Has Been Made by the End of the Reporting Period      | 12   |
| Section 5(a)(11) | Description and Explanation of Reasons for any Significant Revised Decisions by Management During the Reporting Period  | None |
| Section 5(a)(12) | Information Concerning Significant Decisions by Management With Which the Inspector General is in Disagreement  | None |
| Section 5(a)(14) | Information Regarding Peer Reviews Involving the Office of Inspector General  | 13   |
|                  | <b>CPB Management Reporting Requirements</b>  |      |
| Section 5(b)(2)  | Statistical Table Showing the Total Number of Audit Reports and Results From Disallowed Costs   | 17   |
| Section 5(b)(3)  | Statistical Table Showing the Total Number of Audit Reports and Results From Recommendations that Funds Be Put To Better Use Agreed to in a Management Decision | 18   |
| Section 5(b)(4)  | Summary of Audit Reports Where Final Action Has Not Been Completed Within One Year of a Management Decision   | 19   |

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## **OFFICE OF INSPECTOR GENERAL OPERATIONS**

### **Message from the Inspector General**

March 31, 2013

This is my last Semiannual Report to Congress as Inspector General as I will be retiring in May. I consider myself fortunate to have had the support of the Board of Directors and CPB's executive leadership during my 14 year tenure. That support has allowed me to carry out my responsibilities in an independent and professional manner. During this time I have witnessed CPB's public broadcasting mission move into the digital age and the current multi-media environment. It has been challenging to have participated in this process. By statute CPB can only spent five percent of its funds administering and overseeing CPB's numerous initiatives. CPB has limited resources to oversee more than 600 new grants and contracts each year. Our role as Inspector General has been an important component in CPB's overall structure to provide independent oversight, ensuring the integrity and accountability of CPB's programs.

During this semiannual reporting period, we have worked closely with CPB officials to address and close-out many outstanding corrective actions and to put in place policies to provide greater accountability and ensure the integrity of CPB programs. Additionally, we completed two internal evaluations of CPB procurements and grant close-out activities. Both projects resulted in recommendations to provide greater accountability and transparency to CPB's internal actions, while ensuring that unused program funds are efficiently managed to fund new initiatives.

Further, I have tracked and reported on the implementation of the 28 corrective actions resulting from our 2005 audit titled "Review of Alleged Actions Violating the Public Broadcasting Act of 1967, as Amended." The last corrective actions in that report were closed this semiannual reporting period. The Ombudsman issued his first annual report on objectivity and balance in January closing the recommendation addressing this important statutory requirement. We will no longer need to report on this audit in future Semiannual Reports to Congress.

In closing I would like to express my sincere appreciation to the Board of Directors, the CPB leadership team and employees, and the Public Broadcasting community. We have been able to work effective together to further the mission of public broadcasting and effectively serve the needs of the American public, as envisioned under the Public Broadcasting Act.

  
Kenneth A. Konz  
Inspector General

## OIG Operations in the Current Period

The following table presents our accomplishments during this six month semiannual reporting period.

### Reports Issued for the Period Ending March 31, 2013

| Report Number<br>Date Issued     | Report Title   | Questioned<br>Costs | Unsupported<br>Costs | Funds Put<br>To Better<br>Use |
|----------------------------------|--|---------------------|----------------------|-------------------------------|
| <b>Audits:</b>                   |  |                     |                      |                               |
| AST1206-1301<br>February 4, 2013 | Examination of CPB Grants Awarded to Northwest Indiana Public Broadcasting, Inc., for the Periods Ending September 30, 2010 and 2011 | \$0                 | \$0                  | \$0                           |
| <b>Evaluations:</b>              |  |                     |                      |                               |
| EPF1204-1302<br>March 29, 2013   | Evaluation of CPB Procurement Awards for the Period October 1, 2009-April 1, 2012  | \$0                 | \$0                  | \$0                           |
| ECO1208-1303<br>March 29, 2013   | Evaluation of Open Grants/Contracts with Expiration Dates of June 30, 2011 or Earlier  | \$0                 | \$0                  | \$0                           |

The IG Act, as amended, establishes the reporting requirements and terminology used in this report. To facilitate the reader's understanding of the reporting terminology, we offer the following definitions.

The term "questioned cost" means a cost is questioned by the auditor as an alleged violation of a law, contract, grant, or other agreement governing the expenditure of funds. A cost can also be questioned when it is not supported by adequate documentation. This type of "questioned cost" is also known as "unsupported cost."

The term "funds put to better use" means funds could be used more efficiently, e.g., reducing future outlays, de-obligating funds from a contract or grant, or taking other recommended corrective actions.

The term "management decision" means a decision made by CPB management after evaluating the findings and recommendations contained in the audit report. The findings and recommendations can be either monetary or non-monetary in nature. In the case of a monetary "questioned cost" finding, the "management decision" will either disallow or allow the questioned cost. When recommended questioned costs are sustained by management's decision, these are reported as "disallowed costs" in the Semiannual Report to Congress.

The term "final action" means that all the corrective actions identified in the "management decision" have been completed. In the case of questioned costs, it means that all questioned costs sustained in the "management decision" have been

refunded to CPB. Similarly, in the case of non-monetary findings, all recommended corrective actions have been implemented by CPB, a contractor, or grantee and have been accepted as complete by CPB management.

## Audit & Assistance Activities

### Significant Reports Issued

#### Examination of CPB Grants Awarded to Northwest Indiana Public Broadcasting Inc., for Periods Ending September 30, 2010 and 2011, Report No. AST1206-1301, Issued February 4, 2013

The objectives of the examination were to determine whether the licensee: a) claimed Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) for FYs 2010 and 2011 in accordance with CPB Financial Reporting Guidelines; b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended; and c) expended CSG, and other grant funds in accordance with CPB grant requirements.

Based upon our examination we found noncompliance with the following statutory provisions of the Communications Act and CPB grant requirements:

- open meeting requirements to provide quarterly on-air announcements of the station's open public meetings policies;
- open financial records requirements to make the CPB Annual Financial Report and CPB grant financial reports available to the public;
- to develop documentation indicating the manner the station will comply with the five statutory requirements of the Communications Act; and
- the Independent Public Accountant's attestation of the AFR's compliance with CPB's NFFS reporting requirements.

### **Recommendations**

We recommended that CPB require the licensee to fully comply with all requirements of the Act and provide CPB with documentation of its compliance as follows:

- make quarterly on-air announcements of the station's open meeting policy and maintain documentation of the station's on-air announcements;
- develop controls that ensure that financial records provided to the public include any agreements with CPB that require a financial report; and
- establish written implementing policies of the station's practices for all of the Communications Act requirements.

We also recommended that CPB require the licensee to ensure its IPA conducts an attestation examination of its AFR in accordance with CPB Financial Reporting Guidelines.

In response to the draft report, licensee officials agreed with our findings on the Communications Act and the IPA's attestation on NFFS compliance. They also have initiated corrective actions as they outlined in their written response to the draft report.

## CPB Response

CPB's management decision resolving our recommendations is due by August 3, 2013.

### **Evaluation of CPB Procurement Awards for the Period October 1, 2009 - April 1, 2012, Report No. EPF1204-1302, Issued March 29, 2013**

The objectives of our review were to determine whether CPB: 1) procured goods and services in accordance with the *CPB Procurement Policy*, *CPB Contracts Policy*, and the *Project Officer Handbook*; 2) obtained goods and services (including productions) from the highest quality contractor or grantee at the most economical cost or price; and 3) utilized digital funds in accordance with the requirements specified in the appropriation. We initiated this evaluation to address an allegation of favoritism in awarding grants and contracts based on an anonymous complaint.

Our evaluation of 19 contracts and 8 grants from the 745 contracts and discretionary grants awarded competitively or sole source during the period of our review found the following:

- 10 of 13 sole source justifications did not adequately document that the contractors selected were the only contractors "practicably" available or that an emergency existed;
- 3 of 4 production grant awards were not reviewed by an outside panel as specified by the Public Broadcasting Act;
- 4 of 4 grants for non-production services were not required to be reviewed by an outside panel;
- 6 of 6 competitive contract procurements provided assurance that contracts were awarded to qualified providers for a reasonable cost; and
- no evidence that digital funds were not used in accordance with the appropriation requirements.

Additionally, we observed that procurements recorded in CPB's Grants Information and Financial Tracking System (GIFTS) did not accurately describe agreements as either a contract or grant, or whether the agreement was competed or was sole source. Such classifications would assist in determining what procurement guidelines to follow in approving the contract or grant, as well as provide full accountability over procurement activities for planning and management oversight purposes.

Overall we concluded that CPB needs to adhere more closely to its procurement policies and procedures when awarding sole source contracts, as well as more consistently comply with the Public Broadcasting Act requirements when awarding national programming grants. Based on our evaluation we could not substantiate the allegations of favoritism in awarding contracts and grants from the documented records. To avoid any appearance of favoritism in awarding contracts and grants CPB should ensure that sole source justifications appropriately justify the reasons contractors are

considered the only practicable option or that emergencies exist. Further, national programming proposals should be reviewed by an outside panel, as specified by the statute.

### **Recommendations**

We recommended that CPB revise its policies and procedures to improve the documentation of solicitation and award decisions by:

- requiring project officers to improve justifications for contractors and grantees that are considered the only practicable option;
- revising the procurement policy to emphasize that emergencies must be unforeseen and that non emergency projects should not be combined with projects being awarded because of an emergency;
- revising guidance to project officers to require them to complete questions on concurrence forms related to procurement method, why grantee was selected, results of the panel review, and why the proposed costs were considered reasonable;
- requiring that, to the extent practical, external review panels are used to evaluate proposals prior to awarding grants for national programming, including when panels are not used, the reasons for not doing so should be documented; and
- ensuring CPB contract and grant files document proposal evaluation sheets, including any weighting factors used in the evaluation.

We also recommended that CPB revise its policies and procedures to improve recording of contract and grant awards in GIFTS by:

- identifying awards as a grant or a contract rather than classifying both grants and contracts as contracts;
- revise the CPB Concurrence Form to require project officers to specify the type of award (competitive or sole source) for all grants, including those with media content; and
- ensure GIFTS accurately describes procurements as grants or contracts (sole source or competitive) to provide accountability over all procurement activities and permit oversight of sole source contracting activities.

In response to the draft report, CPB management generally concurred with the findings and recommendations with respect to improved documentation of procurement decisions, particularly in cases of sole source or emergency determinations. Although they agreed that sole source procurements could have been better documented for some of the procurements highlighted in the report, management also believes that their decisions were justified and appropriate under CPB policy. They stated that their award

decisions provided good value to CPB and represented a reasonable exercise of business discretion. CPB management also believes that content-related grant award decisions, which management stated were not subject to the procurement policy and its RFP process, could have been documented better to record their decision that an outside panel review was not practicable.

### **CPB Response**

CPB's management decision resolving our recommendations is due by September 25, 2013.

### **Evaluation of Open Grants/Contracts with Expiration Dates of June 30, 2011 or Earlier, Report No. ECO1208-1303, Issued March 29, 2013**

The objectives of our evaluation were to verify: 1) funds available to deobligate; 2) actions taken by project officers to close-out grants/contracts; and 3) compliance with CPB Contract Close-out Procedures, Deobligation Policy, and the Project Officer Handbook.

Overall our evaluation found:

- Actions taken by the CPB over the last year reduced the number of open grants/contracts with ending dates of June 30, 2011 or earlier from 47 grants/contracts with \$6,434,658 in accounts payable to 4 grants/contracts with \$159,548 in accounts payable; and
- Project officers and departmental managers have not adequately focused on closing out expired grants/contracts in accordance with established procedures, policies and guidelines.

Additionally, our sample of 9 grants/contracts found:

- 9 grants/contracts final deliverables were not submitted to CPB within the grant agreement timeframes (generally 45 days following the expiration of the grant period);
- 8 grants/contracts have now been closed out, the remaining open grant should be amended to extend the grant period;
- 6 of the 8 grants/contracts closed out did not use the Closeout Checklist established by the Contract Closeout Procedures dated December 2010; and
- 1 of the 5 grants/contracts subject to deobligation did not adequately document the decision not to deobligate CPB's proportionate share of unused funds in accordance with CPB's Deobligation Policy dated January 30, 2008.

### **Recommendations**

We recommended that CPB management take actions to:

- ensure project officers close-out grants/contracts on a timely basis in accordance with established CPB procedures, policies, and guidelines;
- establish a performance objective in departmental manager's and project officer's job performance elements to manage grants/contracts in accordance with established practices; and
- provide training to departmental managers and project officers on grant/contract management procedures, policies, and guidelines.

We also recommended that CPB reconsider a previous decision not to develop a common grant/contract project management system to be used by all departments and project officers to facilitate executive oversight across CPB departments.

In response to the draft report, CPB management generally concurred with the findings and recommendations with respect to project officer oversight of grants and contracts. Further, management stated they will take under advisement the establishment of formal project officer performance objectives and continue to provide training to department managers and project officers. Further, they stated they would continue to work on the creation of a new project management system within the financial constraints of reduced operating funds.

### **CPB Response**

CPB's management decision resolving our recommendations is due by September 25, 2013.

## **Other Special Requests and Assignments**

### **Follow-up Reporting on CPB's Corrective Actions Related to Report No. EPB503-602, dated November 15, 2005, Review of Alleged Actions Violating The Public Broadcasting Act of 1967, as Amended**

In response to this report, the Board of Directors and CPB management initiated Project Champion in December 2005 to examine and strengthen policies and procedures in four major areas of CPB's operations (procurement, contracting, human resources, and payment processing). With this report CPB has now resolved and closed all 28 recommendations presented in the audit report.

During this semiannual period CPB officials revisited its planned actions to address the open recommendation to revise the Board of Director's Code of Ethics to include disciplining Board members for violating the Code of Ethics through statutory changes. Upon further review of the changes made to the Board's Code of Ethics and the establishment of the Corporate Governance Committee, these mechanisms have worked effectively over the last six years and provide the Board with sufficient oversight tools to discipline corporate activities, as well as, itself to warrant closing this recommendation.

In April 2011, the CPB Board of Directors revised the Charter for the CPB Office of the Ombudsman to require the ombudsman to prepare annually a written review of CPB-funded programming to evaluate its objectivity, balance, fairness, accuracy and transparency. CPB hired a new ombudsman in June of 2011. The Board's actions resolved this recommendation and when the ombudsman issued his first report on objectivity and balance in January 2013 his actions closed this recommendation.

### **Other Assignments in Process**

The Office of Inspector General has three audits in process. They include a radio station audit, a television production audit, and a radio production audit. We plan to initiate at least two additional audits before the end of the fiscal year.

The objectives of the radio audit are to determine compliance with: 1) Non-Federal Financial Support reporting requirements; 2) Certification of Eligibility requirements; 3) Communications Act requirements; and 4) allowable expenditures requirements. The objectives of the two production grant audits are to determine: 1) the accuracy of revenue and expenditure reporting; 2) whether costs were incurred for allowable activities; and 3) compliance with grant requirements.

## Resolution of Recommendations

The following table summarizes the resolution activities for all audit and assistance reports issued by our office. This table includes reports that contain monetary and non-monetary findings with related recommendations.

### Reports Requiring Resolution

| Description  | Number of Reports | Total            |                   |                         |
|--|-------------------|------------------|-------------------|-------------------------|
|  |                   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
| Reports for which no management decision had been made by the start of the reporting period. | 8                 | \$702,973        | \$286,898         | \$623,885               |
| Reports issued during the reporting period.  | 3                 | \$0              | \$0               | \$0                     |
| <b>Subtotals</b>   | <b>11</b>         | <b>\$702,973</b> | <b>\$286,898</b>  | <b>\$623,885</b>        |
| Reports for which a management decision had been made during the reporting period:           | 5                 |                  |                   |                         |
| • Dollar value of recommendations agreed to by management                                    |                   | \$398,299        | \$1,138           | \$224,612               |
| • Dollar value of recommendations not agreed to by management                                |                   | \$18,914         | \$0               | \$128,020               |
| Reports with no management decision at the end of the reporting period.                      | <b>6</b>          | <b>\$285,760</b> | <b>\$285,760</b>  | <b>\$275,519**</b>      |

*\*\* This column does not foot because CPB's final management decision resolving one audit report disallowed an additional \$4,266 more than reported in the audit report.*

## **Summary of Reports Issued Before September 30, 2012 with no Management Decision by March 31, 2013**

During this reporting period there were three audit reports that were not resolved within the six month audit resolution timeframe. All three were subsequently resolved during the first week of April 2013.

### **Examination of Selected CPB Grants Awarded to Radio Bilingüe, Inc., for the Period October 1, 2008 – November 30, 2010, Audit Report No. ASR1103-1203, Issued March 30, 2012**

Our examination found questionable costs of \$285,760 for the lack of adequate supporting documentation. Additionally, we found that \$7,823 claimed as in-kind contributions for satellite services were not adequately supported. The grantee also improperly claimed NFFS revenues of \$28,150 received from public broadcasting entities. This resulted in CPB making \$1,827 in excess CSG payments to Radio Bilingüe during FY 2011. We classified this amount as funds put to better use for reporting purposes, because these funds could have been distributed to other public broadcasting entities.

Additionally, we found that grantee was not compliant with the statutory provisions of the Communications Act or the CPB Certification of Eligibility requirements.

CPB management issued a management decision resolving the findings in this report on April 4, 2013.

### **Examination of City Colleges of Chicago, WYCC-TV for Fiscal Years 2010-2011, Audit Report No. AST1205-1209, Issued September 27, 2012**

Our examination found that WYCC-TV overstated NFFS by \$2,382,835, resulting in CPB making overpayments of \$273,692 to WYCC-TV. Additionally, we found that WYCC-TV did not fully comply with all requirements of the Communications Act.

CPB management issued a management decision resolving the findings in this report on April 2, 2013.

### **Report of Evaluation – Complaint Against KVNF-FM, Report No. ESR1207-1207, Issued on September 10, 2012**

Our evaluation found that the grantee did not maintain discrete accounting over CPB Community Service Grant funds.

CPB management issued a management decision resolving the finding in this report on April 4, 2013.

## **Peer Review**

### **CPB OIG Peer Review**

The Pension Benefit Guaranty Corporation, Office of Inspector General, last conducted a peer review of CPB's OIG, Office of Audit's system of quality control for the period ending March 31, 2010. Their report, dated February 15, 2011, concluded that our system of quality control has been suitably designed and complied with, to provide reasonable assurance of complying with professional auditing standards. There were no recommendations made in the peer review report or any carryover recommendations from prior peer reviews. The peer review report is available on our website at <http://www/cpb.org/oig/reports/OIGPeerReview.pdf>.

We are scheduled to have our next peer review in the coming months.

## **Investigative Activities**

The Inspector General Act provides for the OIG to receive and investigate complaints or allegations involving potential violations of law; rules or regulations; mismanagement; gross waste of funds; or abuse of authority. Because we do not employ criminal investigators, when we receive an allegation of a criminal violation, we either refer it to the Federal Bureau of Investigation or other appropriate law enforcement agencies, or contract with another OIG for assistance. The results of such investigations may be referred to appropriate federal, state, or local prosecuting authorities for action.

### **Allegations and Hotline Complaints**

In the previous semiannual report, we reported that we had six open complaints. These involved various allegations that public television and radio stations did not comply with the Communications Act requirements (e.g. open financial records, Community Advisory Boards and donor lists(s) as well as other allegations of mismanagement or abuse of CPB funds. In December 2012, we added one additional matter as a Hotline complaint which had initially been received in July.

Six of the seven complaints open from the previous reporting period were closed during the current period. In three of the complaints, the allegations were not proven; in one the complainant was unable to provide sufficient usable evidence to support the allegations; in one there was no CPB jurisdiction; and in one, OIG and CPB were unable to identify information that would be relevant to the sentencing of a former station manager who had entered a guilty plea. We have kept one complaint open in order to provide other law enforcement agencies with information, but OIG is not actively investigating or auditing the allegations.

During this reporting period, we received 23 complaints. Fifteen were closed after preliminary review because there was no CPB jurisdiction, because the complaint lacked specificity, or because the complainant was unable to provide evidence. One complaint was closed by referral for possible audit. For the seven remaining complaints, we are seeking additional information from CPB, outside sources or are otherwise reviewing the allegations presented.

At the end of this reporting period, eight complaints remain open.

### **Investigations**

One active case remains in process at the end of this reporting period.

## OIG Staffing & Organization Chart

The fiscal year 2013 budget approved by CPB's Board of Directors included 9.5 full-time equivalent positions.

The following chart reflects the current organization.



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## **CPB AUDIT RESOLUTION ACTIVITIES**

### **Message from Chief Financial Officer and Treasurer**

March 31, 2013

CPB and OIG staffs continue to work cooperatively to discuss and resolve findings and recommendations in a timely manner. Generally, corrective actions have been completed or are proceeding according to agreed-upon schedules.

We are working to enhance CPB's internal controls and systems. In this regard, my staff and the OIG are working together with our grantees to strengthen procedures and controls over station grants and implement improved security procedures to safeguard CPB facilities, systems, and resources.

A handwritten signature in blue ink, appearing to read "Will P. Tayman, Jr.", with a stylized flourish at the end.

William P. Tayman, Jr.  
Chief Financial Officer and Treasurer

## Recovering Disallowed Costs

During this reporting period CPB management issued five management decisions that contained findings with questioned costs. Further details concerning the status of on-going recovery efforts are discussed under **Corrective Action Not Completed Within One Year of a Management Decision**, on page 19.

### Reports with Disallowed Costs

| Description   | Number of Reports | Dollar Value of Disallowed Costs |
|---|-------------------|----------------------------------|
| Reports with management decisions for which final action had not been completed by the start of the reporting period.                     | 7                 | \$603,659                        |
| Reports for which management decisions were made during the reporting period.   | 2                 | \$398,299                        |
| <b>Subtotal</b>   | <b>9</b>          | <b>\$1,001,958</b>               |
| Reports for which final action was taken during the reporting period.   | 6                 |                                  |
| <ul style="list-style-type: none"> <li>Dollar value of disallowed costs that have been recovered through collection or offset.</li> </ul> |                   | \$415,186                        |
| <ul style="list-style-type: none"> <li>Dollar value of disallowed costs written off as uncollectible.</li> </ul>                          |                   | \$177,170                        |
| Reports for which final actions were not completed by the end of the reporting period.  | 3                 | \$409,602                        |

## Recovering Funds Put to Better Use

For reports with recommendations that funds be put to better use, there were five management decisions during the period. Further details on the status of on-going recovery efforts are discussed under **Corrective Action Not Completed Within One Year of a Management Decision**, on page 19.

### Reports with Funds Put to Better Use

| Description   | Number of Reports | Dollar Value of Recommendations |
|---|-------------------|---------------------------------|
| Reports with management decisions for which final action had not been completed by the start of the reporting period.                                     | 6                 | \$1,976,742                     |
| Reports for which management decisions were made during the reporting period.   | 4                 | \$224,612                       |
| <b>Subtotal</b>   | <b>10</b>         | <b>\$2,201,354</b>              |
| Reports for which final action was taken during the reporting period.   | 5                 |                                 |
| <ul style="list-style-type: none"> <li>Dollar value of funds put to better use that was actually completed.</li> </ul>                                    |                   | \$1,135,849                     |
| <ul style="list-style-type: none"> <li>Dollar value of funds put to better use that management concluded should not or could not be completed.</li> </ul> |                   | \$9,767                         |
| Reports for which final actions had not been completed by the end of the reporting period.  | 5                 | \$1,055,738                     |

## Corrective Actions Not Completed Within One Year of a Management Decision

At the end of the reporting period there were two reports with monetary corrective actions that had not been completed within one year of the management decision date. Additionally, there are five other reports with significant administrative corrective actions that have not been completed within one year of the management decision date.

Monetary collection actions are in process in accordance with CPB's approved grant offset schedule for two audits.

### On-Going Monetary Collective Actions as of March 31, 2013

| Report No.   | Report Title  | Date Issued    | Date Resolved | Fiscal Year Corrective Action to be Completed |
|--------------|---|----------------|---------------|---|
| ASJ802-805   | Community Service Grants Awarded to WGBH Educational Foundation | Sept. 26, 2008 | July 29, 2009 | FY 2014 (1)                                   |
| ASJ1102-1201 | Audit of CPB Grants Awarded to WQED Multimedia                  | Dec. 12, 2011  | July 9, 2012  | FY 2017 (2)                                   |

- (1) CPB began recovering \$1,339,477 from WGBH during FY 2010. They will deduct \$267,895 from WGBH's annual CSG for five years.
- (2) CPB will begin recovering \$759,332 in FY 2013. They will deduct \$151,867 from WQED's annual CSG for five years.

## **Significant Unimplemented Administrative Corrective Actions as of March 31, 2013**

| <b>Report No.</b> | <b>Report Title</b>   | <b>Date Issued</b> | <b>Date Resolved</b> | <b>Fiscal Year Corrective Action to be Completed</b> |
|-------------------|---|--------------------|----------------------|--|
| APR806-904        | KBCS  | March 27, 2009     | June 24, 2009        | April 1, 2013  |
| APT502-704        | WETA  | March 30, 2007     | June 25, 2010        | April 1, 2013  |
| AST702-802        | WNET  | March 31, 2008     | June 25, 2010        | April 1, 2013  |
| APT807-202        | WGBH  | Feb. 17, 2009      | June 25, 2010        | April 1, 2013  |
| ECJ905-1105       | Station Survey Compliance with Accounting & Communications Act Requirements | March 31, 2011     | August 30, 2011      | October 1, 2013                                      |

The following reports contained unimplemented administrative corrective actions that represent significant policy issues regarding claiming indirect costs and auditing compliance with Communications Act requirements.

### ***KBCS, WETA, WNET and WGBH***

These reports recommended that CPB establish a policy for claiming indirect costs under CPB grant agreements. CPB undertook extensive discussions with national public broadcasting producers in order to develop a consensus of opinion around guidelines that would be fair and equitable to both producers and CPB. Discussions between the parties have primarily focused on resolving differences when applying indirect costs to acquisition and subcontracting costs. CPB is currently working on resolving internal differences between CPB officials and the OIG officials. CPB expects to complete this process and to implement its policy no later than April 30, 2013.

### ***Station Survey***

This report recommended expanding the independent public accountant's attestation testing to verify compliance with the Communications Act requirements. To accomplish this CPB is updating the Financial Reporting Guidelines and developing a communications plan to notify all grantees of the new requirements. CPB expects these new procedures will be implemented for the grantees' FY 2013 audits, by October 1, 2013.



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