



**CORPORATION FOR
PUBLIC BROADCASTING**

SEMIANNUAL REPORT

**OFFICE OF INSPECTOR GENERAL
OPERATIONS**

CPB AUDIT RESOLUTION ACTIVITIES

October 1, 2015 through March 31, 2016



Foreword

Congress created the Corporation for Public Broadcasting (CPB) in 1967 to promote public media and help keep it free from government interference. CPB is a private non-profit corporation that is governed by a Board of Directors (Board) appointed by the President and confirmed by the Senate. CPB funds more than 1,450 public media stations, as well as research, technology, and program development for public radio, television, and related online services. For fiscal year 2016, CPB received approximately \$445 million in appropriations from Congress and a \$19 million Ready to Learn grant from the U.S. Department of Education.

Congress created CPB's Office of Inspector General (OIG) in 1988 to promote the economy, efficiency, effectiveness, and integrity of CPB initiatives and operations. As an independent component of CPB, OIG reports to the CPB Board through its Audit and Finance Committee.

Congress requires that the Inspector General and the head of CPB each report semiannually about OIG operations and activities and about CPB audit resolution results. Because CPB is a small organization, we have created this joint report. In the first section, we report on OIG's efforts and in the second, we present CPB's audit resolution activities.

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I. OFFICE OF INSPECTOR GENERAL OPERATIONS

Message from the Inspector General

March 31, 2016

I am pleased to submit this Semiannual Report to Congress about our activities during the period October 1, 2015 through March 31, 2016.

We issued two audit reports of Corporation for Public Broadcasting (CPB) grantees: one of a moderate-sized public TV/radio station and one of a small radio station that had been the subject of alleged theft by a former employee. We identified overstated Non-Federal Financial Support (NFFS) and noncompliance with certain other requirements of the Communications Act (Act), as interpreted by CPB's guidance. We also concluded that the station that had been subject to the alleged theft had instituted additional control procedures to protect against that type of theft in the future. In total, we found \$29,340 in funds that could be put to better use due to the overstated NFFS.

With regard to complaints, we closed the three that we carried over from the last reporting period and 29 of the 31 that we received this period. We opened no new investigations.

We had the opportunity to speak with staff of the Senate Committee on Commerce, Science and Transportation about our completed work and plans for future audits. We responded to two Congressional requests for information on outstanding unimplemented recommendations. We also continued our outreach to the public media community by speaking on the topic of Act compliance to public media officials attending CPB training.

We provided comments to CPB on two of its guidance documents for public media stations. We also provided oversight of the financial statement audit of the Council of the Inspectors General on Integrity and Efficiency, and I assumed the Chair of that group's Audit Committee in January.

We look forward to continuing to work with Congress and the CPB Board of Directors and management to further accountability in CPB initiatives and operations.



Mary Mitchelson
Inspector General

Reports Issued in the Period Ending March 31, 2016

This table identifies the reports OIG issued this reporting period and the related monetary findings and recommendations for corrective actions. As defined by the Inspector General Act (IG Act), as amended, “questioned costs” are those that are 1) identified due to an alleged violation of a provision governing the expenditure of funds, 2) not supported by adequate documentation, or 3) unnecessary or unreasonable. “Funds put to better use” are those that could be used more efficiently, e.g., by reducing outlays or deobligating funds. The IG Act requires us to report unsupported costs separately, even though they are included in the questioned costs column.

Report Number/ Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use	Number of Recommendations
ASR1508-1604 March 24, 2016	Audit of Community Service Grants at WDCB-FM College of DuPage, Glen Ellyn, IL, for the period July 1, 2012 through June 30, 2014	\$0	\$0	\$0	1
ASJ1505-1602 December 10, 2015	Audit of Community Service Grants at Commonwealth Public Broadcasting Corporation, WCVE-TV/FM, Richmond, VA for the period July 1, 2012 through June 30, 2014	\$0	\$0	\$29,340	3

Audit and Evaluation Reports and Assistance Activities

We issued two audit reports this period. You can access them on our website at <http://www.cpb.org/oig/reports/>.

Audit of Community Service Grants at WDCB-FM College of DuPage, Glen Ellyn, IL

After learning about an alleged theft by a former employee at this station, CPB officials asked us to conduct an audit. We found that the station was in compliance with grant requirements, except for one open meetings requirement: the station had not provided quarterly on-air announcements on three consecutive days explaining WDCB’s open meetings policy. The station corrected this practice while we were on site. We also found that the alleged theft did not involve CPB grants funds and that station officials have instituted additional control procedures to protect against the type of theft suspected.

We examined Community Service Grants (CSG) at WDCB-FM (WDCB) for the period July 1, 2012 through June 30, 2014. We initiated this examination at the request of CPB following press accounts that a former station employee was charged with theft of station assets. Our objectives were to examine WDCB’s certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial

Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend CPB grant funds in accordance with grant requirements; and c) comply with the Certification of Eligibility (Eligibility) requirements and the statutory provisions of the Communications Act of 1934, as amended (Act). Additionally, we did work to determine whether CPB funds were involved in the alleged theft and whether controls are now in place to protect against such occurrences in the future.

We concluded that WDCB was in compliance with grant requirements, except for the open meetings requirement to provide quarterly on-air announcements of the station's open meetings policy. During our fieldwork WDCB officials took corrective action to bring the station into compliance with this requirement. Regarding the alleged theft, we determined it did not involve CPB grant funds and that station officials have instituted additional control procedures to protect against the type of theft allegedly committed.

WDCB agreed with our finding and recommendation for CPB to ensure that the station follows guidelines for making on-air quarterly announcements. Based upon the station's response to our draft report and evidence it provided about its corrective actions, we consider our one recommendation resolved and closed.

Audit of Community Service Grants at WDCB-FM College of DuPage, Glen Ellyn, IL, for the Period July 1, 2012 through June 30, 2014, http://www.cpb.org/files/oig/reports/WDCB_Report_032416.pdf

Audit of Community Service Grants at Commonwealth Public Broadcasting Corporation, WCVE-TV/FM, Richmond, VA

WCVE operates several TV and radio stations in central Virginia. We examined its compliance with grant and Act terms and found that it had overstated NFFS by \$259,600, resulting in estimated excess CSG payments of \$29,340. We also found that it did not provide public notice of all meetings of its board's committees or have a written policy regarding its Act compliance practices.

We examined CSGs at WCVE for the period July 1, 2012 through June 30, 2014 to determine whether it properly claimed NFFS, appropriately expended CSGs and other grant funds, and complied with eligibility requirements and the Act.

We found that WCVE overstated NFFS by \$259,600, which resulted in potential CSG overpayments of \$29,340. The overstatement was due to the station reporting payments from ineligible sources, claiming underwriting contributions that it had received on behalf of other public broadcasting entities and from federal funds, and failing to exclude the fair market value of some premiums it gave to contributors. WCVE also failed to document all of its in-kind trades as required by CPB guidance, claimed an ineligible trade, and claimed some trades twice. We reported the \$29,340 as funds put to better use because the funds awarded to WCVE would have been available in the CSG pool to be paid to other stations.

We also found that WCVF did not fully comply with open meeting requirements of the Act because it did not provide public notice of its Committee of the Whole open meetings, a procedure it has now abandoned. It also did not have a written policy regarding its Act compliance practices, but it developed one during our field work.

We recommended that CPB require WCVF to:

- submit revised AFRs for FYs 2013 and 2014 eliminating ineligible revenues of \$259,600 and recover \$29,340 in estimated excess CSG payments for FYs 2015 and 2016; and
- fully comply with open meeting requirements.

In response to our draft report, WCVF agreed with our findings and stated that it has instituted processes that will avoid future inconsistencies.

Audit of Community Service Grants at Commonwealth Public Broadcasting Corporation, WCVF-TV/FM, Richmond, VA for the Period July 1, 2012 through June 30, 2014, http://www.cpb.org/files/oig/reports/WCVF_Final_Report_Issued_121015.pdf

Review of CPB Financial Statement Audit

Pursuant to OIG's agreement with the CPB Board, we reviewed the work of the independent public accountant (IPA) conducting CPB's financial statement audit. We reported to the Board's Audit and Finance Committee that, after our limited review, we concluded the IPA performed its work in accordance with applicable auditing standards.

Oversight of the Council of the Inspectors General on Integrity and Efficiency Fiscal Year 2015 Financial Statement Audit

We provided oversight of the FY 2015 financial statement audit of the Council of Inspectors General on Integrity and Efficiency (CIGIE), conducted by an IPA, as well as conducted an agreed-upon-procedures attestation engagement to review CIGIE's petty cash account. We concluded that the IPA complied with Government Auditing Standards and Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* in conducting its work.

Additional Reporting Requirements

Peer Review Results

OIG's most recent audit peer review was conducted by the Library of Congress OIG for the period ending March 31, 2013. We received a rating of pass and the report contained no recommendations. We did not conduct a peer review of another OIG during this reporting period.

Resolution of Recommendations

The following table summarizes the resolution activities for all audit and evaluation reports issued by our office. We have included reports with monetary and non-monetary recommendations in our reports requiring resolution.

Reports Requiring Resolution

Description	Number of Reports	Questioned Costs	Total Unsupported Costs	Funds Put to Better Use
Reports for which no management decision had been made by the start of the reporting period.	3	\$2,651,733	\$2,202,393	\$161,412
Reports issued during the reporting period.	2	\$0	\$0	\$29,340
Subtotals	5	\$2,651,733	\$2,202,393	\$190,752
Reports for which a management decision had been made during the reporting period:	3 ¹			
• Dollar value of recommendations agreed to by management		\$0	\$0	\$71,975 ²
• Dollar value of recommendations not agreed to by management		\$422,539	\$0	\$16,169
Reports with no management decision at the end of the reporting period.	2	\$2,229,194	\$2,202,393	\$135,542

¹ One report issued during this period had only one administrative recommendation. Based on auditee actions this report was considered resolved on issuance and was counted as a management decision during this reporting period.

² This total includes penalties of \$32,934 that CPB management assessed during audit resolution that we had not identified in two final audit reports.

Summary of Reports Issued Before September 30, 2015 with no Management Decision by March 31, 2016

During this reporting period there were two audit reports that were not resolved within the six-month audit resolution timeframe.

Audit of CPB Grant No. 14515 Awarded to the Public Media Platform, Inc., Washington, DC, September 30, 2015

In 2012, CPB awarded an \$8 million grant to Public Media Platform (PMP) for its Founding Members (FM) to jointly develop and operate a multi-purpose digital media publishing, distribution, and operating system. Our audit identified material noncompliance issues in documenting salary and contractor costs. We also found PMP over claimed certain labor, fringe, and indirect costs. We questioned costs totaling \$2,631,244 (CPB's share is \$2,229,194) and identified funds put to better use of \$135,542.

CPB provided the following explanation for not resolving the report's recommendations within the prescribed time frame: CPB issued an initial draft determination letter for the OIG's review on January 12, 2016. The OIG responded to this draft on February 3, 2016 providing comments addressing purported inconsistencies or inaccurate information included in the draft determination letter. In following up on those comments, CPB determined that significant additional information was required beyond what was

included in the OIG report to address the OIG findings and recommendations. CPB has been working closely with the OIG auditor responsible for this audit, representatives of PMP as well as the five PMP Founding Members identified in the OIG report to obtain the necessary information and documentation to support its final determination. Because this was an interim audit and did not cover the last seven months of the build-out phase of the agreement, we have extended our review to cover this period as it impacts many of the audit findings. Accordingly, CPB is modifying its original determinations. CPB anticipates finalizing its review and will issue a final determination by mid-May, 2016.

Audit of CPB Grant No.14515 Awarded to Public Media Platform, Inc., Washington, D.C., for the Period November 1, 2012 – December 31, 2013, Report No. APM1501-1509, <http://www.cpb.org/files/oig/reports/Public-Media-Platform-Final-Report-Issued-093015.pdf>

Audit of CPB Radio Restricted Fund Expenditures, Communications Act, Transparency, and Discrete Accounting Requirements at Selected Radio Grantees for Fiscal Year 2014, September 29, 2015

We audited 10 smaller radio stations which had collectively received \$1.8 million in CSG funds in FY 2014. We found that all 10 stations spent the restricted funds appropriately and generally complied with Act, transparency, and discrete accounting requirements, except for the following instances.

Our audit found:

- 8 of 10 stations were not in full compliance with certain aspects of the open meetings, open financial records, or CAB requirements of the Act;
- 9 of 10 stations were not in full compliance with certain aspects of CPB's transparency requirements;
- 4 of 10 stations did not discretely account for CPB CSG revenues and expenditures in their accounting systems; and
- 4 of 10 stations did not accurately report CPB restricted expenses on their FY 2014 AFRs.

CPB provided the following explanation for not resolving the report's recommendations within the prescribed time frame: CPB provided the OIG with draft determination letters to the 10 stations included in this report on February 1, 2016. The OIG provided a response with various comments on the determinations on February 22, 2016. CPB provided revised draft determination letters to the OIG for final review and comment on March 30, 2016. The OIG promptly responded on April 1, 2016 requesting additional refinements. CPB provided a response to these additional comments on April 8, 2016. Final determination letters were issued by CPB on April 21, 2016.

Audit of CPB Radio Restricted Fund Expenditures, Communications Act, Transparency, and Discrete Accounting Requirements at Selected Grantees for Fiscal Year 2014, Report No. ACR1506-1508, <http://www.cpb.org/files/oig/reports/CPB-Radio-Restricted-Fund-Final-Report-Issued-092915.pdf>

Investigative Activities

The IG Act provides for OIG to receive and investigate complaints involving potential violations of law, rules, or regulations, mismanagement, gross waste of funds, or abuse of authority. We receive complaints through a variety of means, including our hotline. We review them all to determine whether they should be the subject of an audit, evaluation, or investigation. The results of investigations may be referred to appropriate federal, state, or local prosecuting authorities. After reviewing a complaint, we may refer it to CPB or other entities.

Complaints

In the previous semiannual report, we reported that we had three open complaints at the end of the reporting period. All three of these complaints were closed during the most recent reporting period. OIG provided information to each complainant and closed each complaint because the allegations did not form a basis for action within our authority.

During this reporting period we received 31 new complaints. We referred eight complaints to CPB for its information or action, two complaints to the CPB Ombudsman, and two complaints to other entities. In response to 11 other complaints, we provided information to the complainants and closed the matters. We also closed six complaints because we determined that the complaint either lacked specificity or we did not have authority to act upon it. At the end of the reporting period, two complaints remain open.

Investigations

During this reporting period, we opened no new investigations.

Congressional Matters

Responses to Congressional Requests

In response to a request from the Senate Committee on Commerce, Science, and Transportation, in February, we briefed the staff on our work over the past year and plans for the coming year. In December, we submitted a letter and responsive information to a continuing request from the Senate Committee on Homeland Security and Governmental Affairs for information on outstanding unimplemented recommendations. In January, we responded to a similar request from the Senate Committee on Commerce, Science, and Transportation, and provided updated information in February.

Other OIG Activities

Review of CPB Grant Requirements Revisions

Pursuant to Section 4(a)(2) of the Inspector General Act, the Inspector General is responsible to review existing and proposed legislation and regulations relating to CPB's programs and operations. In December, we reviewed and commented on CPB policy revisions to its Communications Act Certification Requirements for Community Service Grant Recipients, addressing open meetings, open financial information, Community Advisory Board, Equal Employment Opportunity, and donor information requirements. In March, we reviewed and commented on proposed revisions to CPB's 2017 Television Community Service Grant General Provisions and Eligibility Criteria grant agreement.

II. CPB AUDIT RESOLUTION ACTIVITIES

Message from the Chief Financial Officer and Treasurer

March 31, 2016

CPB and the OIG staff continue to work cooperatively to discuss and resolve report findings and recommendations. Generally, management decisions have been completed within agreed-upon schedules; however, as noted in the OIG's report, CPB missed this commitment on two audits.

For each of the noted audits, CPB issued draft determination letters for OIG review and comment within the agreed upon timeframes. In responding to OIG comments on CPB's determinations on findings included in the Public Media Platform audit, CPB has undertaken significant additional research and evaluation. To appropriately and accurately address the audit findings, CPB has essentially extended the time period audited to incorporate the final seven months of the grant build-out phase for the agreement.

Our goal with every audit is to ensure a thorough review with fair and equitable outcomes for CPB and its grantees. This occasionally requires CPB to examine additional facts and circumstances to those reflected in an OIG audit. For example, if a grantee's compliance with CPB requirements may not be evident from information examined in the audit, it may be demonstrable through further inquiry, including the grantee's post-audit performance during the grant period. CPB strives to work cooperatively with the OIG to ensure that all evidence is considered when interim audits are performed on a grant agreement.

CPB maintains its commitment to continuous improvement and to enhancing CPB internal controls, processes, and procedures. The information provided by the OIG from their audits positively influences management decisions in its continuous improvement efforts.



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

Recovering Disallowed Costs and Funds Put to Better Use

During this reporting period, CPB management issued two management decisions that addressed OIG findings with questioned costs or funds put to better use.

Reports with Disallowed Costs or Funds Put to Better Use

Description	Number of Reports	Dollar Value of Disallowed Costs	Dollar Value Funds Put to Better Use
Reports with management decisions for which final action had not been completed by the start of the reporting period.	7	\$251,183	\$469,130
Reports for which management decisions were made during the reporting period	2	\$0	\$71,975
Subtotal	9	\$251,183	\$541,105
Reports for which final action was taken during the reporting period.	7 ³		
<ul style="list-style-type: none"> Dollar value of disallowed costs that have been recovered through collection or offset. 		\$151,935	\$212,286
<ul style="list-style-type: none"> Dollar value of disallowed costs written off as uncollectible. 		\$6,873	\$10,000 ⁴
Reports for which final actions were not completed by the end of the reporting period.	4	\$92,375	\$318,819

³ CPB made monetary recoveries on six reports during this reporting period. Final actions were completed on five reports. Funds were collected in full for four reports. Another report was closed when the grantee provided evidence the funds were properly spent. Partial payments were received on two other reports. Monetary collections are pending on four reports.

⁴ One report's \$25,000 penalty was appealed and subsequently reduced by \$10,000.

Corrective Actions Not Completed within One Year of a Management Decision

At the end of the reporting period, three reports with monetary corrective actions had not been completed within one year of the management decision date.

On-Going Monetary Collection Actions as of September 30, 2015

Report No.	Report Title	Date Issued	Date Resolved	Fiscal Year Corrective Action to be Completed
ASJ1102-1201	Audit of CPB Grants Awarded to WQED Multimedia	Dec. 12, 2011	July 9, 2012	FY 2017 ⁵
ASR1202-1208	Audit of CPB Grants Awarded to Pacifica Foundation Radio Stations KPFA, KPFK, KPFT, WBAI, and WPFW	September 21, 2012	March 28, 2012	Repayment schedule not established; suspended from CSG program
APR1209-1306	Audit of CPB Grant Awarded to Youth Media International	September 27, 2013	March 10, 2014	FY 2016 ⁶

⁵ CPB began recovering \$759,332 in FY 2013. It will deduct \$151,867 from WQED's annual CSG for five years.

⁶ CPB executed an agreement with Youth Media on September 30, 2015 to recover the \$95,435 in questioned costs. Youth Media agreed to produce \$78,550 worth of content during FY 2016 and remit the balance of \$16,885 in two cash installments ending on June 30, 2016.



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Contact CPB/OIG

If you have information about fraud, waste, or abuse involving CPB funds, initiatives, or operations, please call, fax, write, or e-mail the Office of Inspector General or file a complaint through our website. Your report may be made anonymously or in confidence.

Call: Inspector General Hotline, 202-879-9728 or 800-599-2170

Fax: 202-879-9699

Email: oigemail@cpb.org

Write: Inspector General Hotline
401 Ninth Street, NW
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