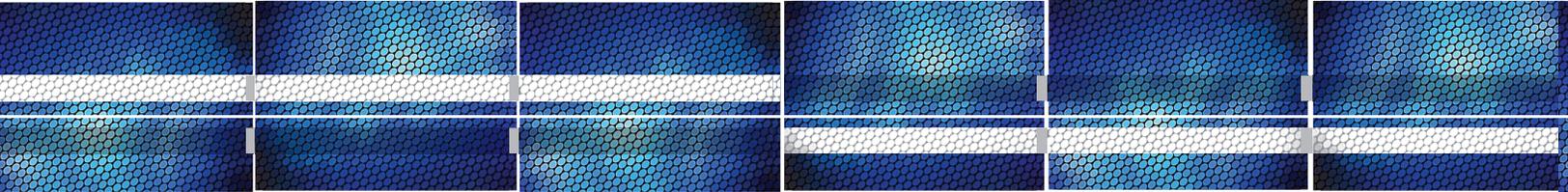




CORPORATION FOR PUBLIC BROADCASTING
SEMIANNUAL REPORT

OFFICE OF THE INSPECTOR GENERAL OPERATIONS
CPB AUDIT RESOLUTION ACTIVITIES

APRIL 1 to SEPTEMBER 30, 2015



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.

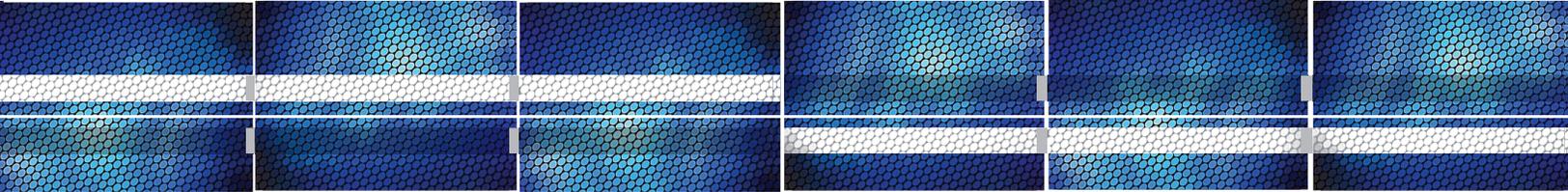


TABLE OF CONTENTS

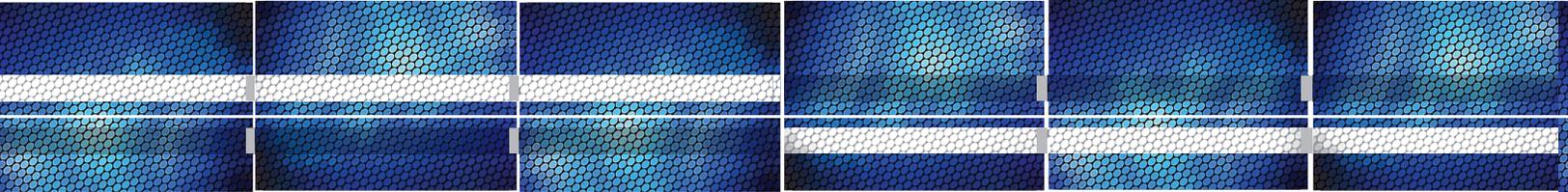
FOREWORD

OFFICE OF INSPECTOR GENERAL OPERATIONS

Message from the Inspector General _____	1
Audit and Evaluation Reports and Assistance Activities _____	2
Additional Reporting Requirements _____	6
Investigative Activities _____	7
Other OIG Activities _____	8

CPB AUDIT RESOLUTION ACTIVITIES

Message from the Chief Financial Officer and Treasurer _____	9
Recovering Disallowed Costs and Funds Put to Better Use _____	10
Corrective Actions Not Completed Within One Year of a Management Decision _____	10
Index of IG Act Reporting Requirements _____	11



OFFICE OF INSPECTOR GENERAL OPERATIONS

-Message from the Inspector General-

September 30, 2015

I am pleased to submit this Semiannual Report to Congress about our activities during the period April 1 to September 30, 2015.

We issued four audit reports of Corporation for Public Broadcasting (CPB) grantees: a no finding report on a member of the National Minority Consortia; a report on a large station; an audit of a digital grant; and a report of our review of 10 smaller radio stations. Our work this period continued to identify problems in reporting and documenting grant expenses to CPB, overstated Non-Federal Financial Support, and noncompliance with certain other requirements of the Communications Act and CPB's transparency mandates. In total, we questioned over \$2.6 million in costs and found another \$160,000 in funds that could be put to better use. Moreover, our findings of noncompliance with open meetings, open financial records, and Community Advisory Board requirements of the Communications Act mean that these stations were not operating with the transparency and community input envisioned by Congress. We made recommendations to CPB to improve these shortcomings.

With regard to complaints, we closed the three complaints that we carried over from the last reporting period and 27 of the 30 that we received this period. We opened no new investigations.

We continued our outreach to the public media community by presenting on the topics of fraud and compliance at the annual conference of a public media business group and attending other public media gatherings. We also offered training to CPB employees on detecting and deterring fraud in public media.

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 SEPTEMBER 30, 2015

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.

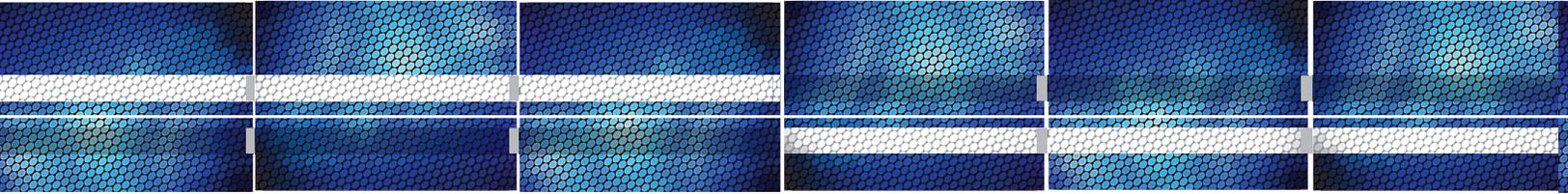
Report Number /Date Issued	Report Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use	Number of Recommendations
APM1501-1509 September 30, 2015	Audit of CPB Grant No. 14515 Awarded to Public Media Platform, Inc., Washington, DC, for the Period November 1, 2012 – December 31, 2013	\$2,229,194	\$2,202,393	\$135,542	8
ACR1506-1508 September 29, 2015	Audit of CPB Radio Restricted Fund Expenditures, Communications Act, Transparency, and Discrete Accounting Requirements at Selected Grantees for Fiscal Year 2014	\$0	\$0	\$0	8
AST1502-1507 August 31, 2015	Examination of Community Service and Other Selected Grants at St. Louis Regional Public Media, Inc., KETC-TV, St. Louis, MO, for the Period July 1, 2012 – June 30, 2014	\$422,539	\$0	\$25,870	5
APT1503-1506 June 11, 2015	Audit of CPB Grants Awarded to the National Black Programming Consortium, New York, NY, for the Period October 1, 2011 – September 30, 2014	\$0	\$0	\$0	0

AUDIT AND EVALUATION REPORTS AND ASSISTANCE ACTIVITIES

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

Audit of CPB Grant Awarded to the Public Media Platform, Inc.

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 charged 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.



PMP was created by five FMs - National Public Radio (NPR), the Public Broadcasting Service (PBS), Public Radio International (PRI), American Public Media (APM), and Public Radio Exchange (PRX). CPB's grant required PMP to enter into a participation agreement with each FM in which they agreed to participate in developing and operating the system.

Our audit of Grant No.14515 for the period November 1, 2012 through December 31, 2013 found: 1) none of the five FMs maintained project accounting records such as time sheets or similar labor distribution records to support leadership labor expenses, and three did not maintain such documentation to support software development services; 2) NPR did not bill PMP per its Technical Service agreement with PMP, because NPR billed on a flat fee basis rather than for actual costs and also charged higher indirect costs than allowed by the grant agreement; 3) PMP over claimed FM's fringe benefits and indirect costs and inadvertently claimed indirect costs on contractor services and travel expenses; and 4) PMP services could not be separately identified from other contractor software development work performed for PBS. We questioned costs totaling \$2,631,244 (CPB's share is \$2,229,194) and identified funds put to better use of \$135,542 for undocumented costs that PMP had incurred but not yet claimed from CPB.

We recommended that CPB:

- determine the reasonableness of, or disallow and recover, the \$1,962,445 of labor expenses claimed without adequate project accounting records;
- ensure future grant agreements specify that employee direct labor expenses are based on actual project level timekeeping records and that leadership costs are claimed based on the organization's indirect cost methodology documented in accordance with CPB's indirect cost policy;
- recover \$326,440 in questioned contractor, fringe benefit, and indirect costs (\$59,691 of which is included in the amount in the first bullet); and
- deobligate \$135,542 from the CPB grant for unallowable costs PMP had not yet claimed.

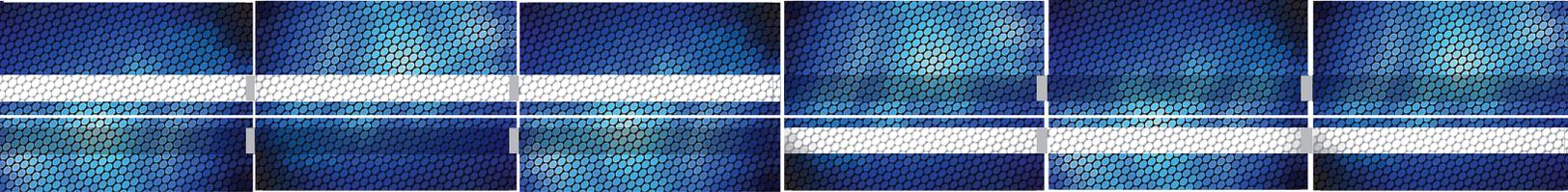
We also recommended that CPB require PMP to record and report its financial information in accordance with the grant agreement and generally accepted accounting principles.

PMP disagreed with the majority of the recommendations. CPB's resolution of this audit is due March 28, 2016.

Audit of CPB Grant No.14515 Awarded to Public Media Platform, Inc., Washington, DC, for the Period November 1, 2012 - December 31, 2013, Report No. APM1501-1509 (September 30, 2015), <http://www.cpb.org/oig/reports/Public-Media-Platform-Final-Report-Issued-093015.pdf>

Examination of Community Service and Other Selected Grants Awarded To KETC-TV

KETC operates a public television station and PBS affiliate, as well as four digital video channels, a website, and social media technologies in the greater St. Louis region, surrounding



counties, and the south central Illinois region. KETC also serves as the executive producer for CPB's American Graduate Initiative, a project to help communities address the dropout crisis.

Our audit of CPB grants for the period July 1, 2012 through June 30, 2014, concluded that the station had established an adequate framework to carry out the American Graduate Initiative; however, it overstated its Non-Federal Financial Support (NFFS), claimed American Graduate expenses that were not supported in the grant's budget categories, and did not comply with certain Communications Act (Act) and CPB transparency requirements.

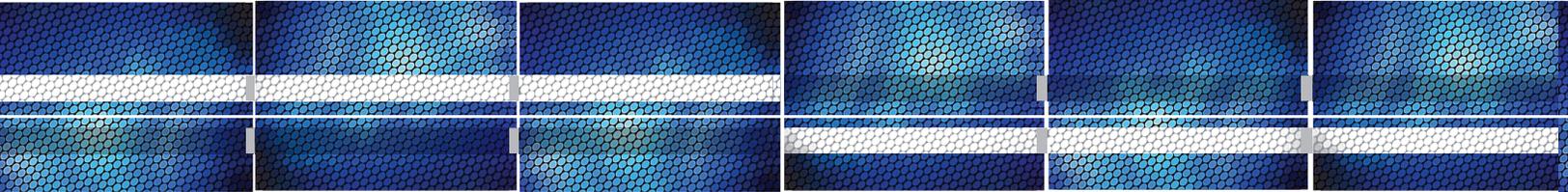
During the examination period, KETC received \$3.7 million from CPB for various grants, including a grant under the American Graduate Initiative. We concluded that the station had established an adequate framework to carry-out the American Graduate Initiative program activities as Executive Producer under CPB's grant but questioned \$422,539 in claimed costs, because those costs, while largely supported by the station's general ledger, were not supported in the budget categories approved in the grant. We also found that the station overstated NFFS by \$191,901, because it included certain payments that were ineligible exchange transactions, reported federal funds, and applied its underwriting rates rather than the donors' valuations of certain in-kind trades, all of which resulted in potential Community Service Grant (CSG) overpayments of \$25,870. With regard to the Act and CPB requirements, the station was not in complete compliance with open meeting, Community Advisory Board (CAB), transparency, and diversity requirements. The station also lacked policies for complying with these requirements, although it developed them during our audit.

We recommended that CPB require KETC to:

- recover \$422,539 in questioned costs for costs misclassified to budget categories or not supported in the general ledger accounts by budget category;
- submit revised Annual Financial Reports (AFR) eliminating ineligible revenues of \$191,901 and recover \$25,870 in estimated excess CSG payments for FYs 2015 and 2016;
- comply with open meeting and CAB requirements; and
- establish diversity goals and comply with all transparency requirements by posting required information to its website.

In responding to the draft report, the station agreed with certain recommendations and disagreed with others. It is taking corrective action concerning the Act requirements for open meetings and CPB's transparency requirements. CPB's resolution of this audit is due by February 27, 2016.

Examination of Community Service and Other Selected Grants at St. Louis Regional Public Media, Inc., KETC-TV, St. Louis, MO, for the Period July 1, 2012 through June 30, 2014, Report No. AST1502-1507 (August 31, 2015), <http://www.cpb.org/oig/reports/KETC-Final-Report-Issued-083115.pdf>



Audit of Restricted Fund Expenditures and Requirements at Selected Radio Grantees

In prior audits of CSGs awarded to smaller radio stations, we found instances where the stations did not spend restricted funds on national programming as required and did not comply with certain other requirements of the Act. To assess whether these were isolated instances or more systemic in nature, 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 that none was in full compliance with all of them.

Our audit found:

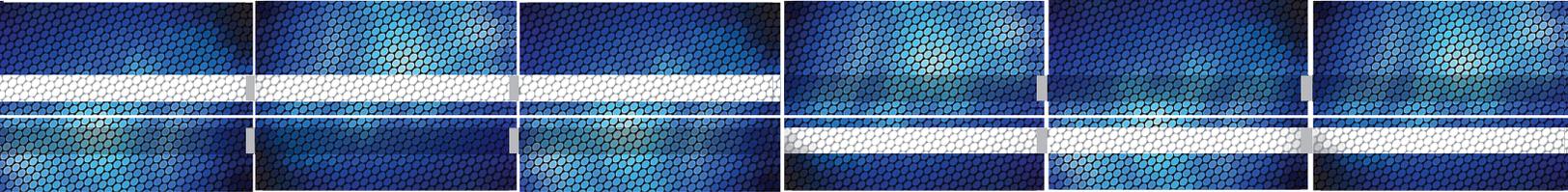
- 8 of 10 stations were not in full compliance with certain aspects of the open meetings, open financial records, or CAB requirements of the Act;
- 9 of 10 stations were not in full compliance with certain aspects of CPB's transparency requirements;
- 4 of 10 stations did not discretely account for CPB 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.

We recommended that CPB:

- require the stations to take corrective actions to bring themselves into full compliance with Act and CPB requirements for transparency, discrete accounting, and AFR expense reporting; and
- revise its transparency guidance to: 1) require that stations post on their websites CPB's AFR or Financial Summary Report and instructions for how to obtain other CPB non-CSG financial reports; and 2) specify dollar thresholds for reporting compensation for key employees and contractors for institutional stations (e.g., stations operated by colleges and universities), in lieu of Internal Revenue Service Form 990 reporting.

In response to the draft report, all 10 stations stated they were generally in agreement with our findings and have taken or initiated corrective actions. CPB's resolution of this audit is due March 27, 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 (September 29, 2015), <http://www.cpb.org/oig/reports/CPB-Radio-Restricted-Fund-Final-Report-Issued-092915.pdf>



Audit of Grants Awarded to the National Black Programming Consortium

The National Black Programming Consortium (NBPC) is a member of the National Minority Consortia, which collectively address the need for national public broadcast programming that reflects America's growing ethnic and cultural diversity. Our audit of NBPC found no reportable issues.

We audited CPB grants awarded to the NBPC for the three-year period ending September 30, 2014. We determined that NBPC submitted financial reports that fairly present CPB grant revenues and expenditures, incurred costs in accordance with grant requirements, and complied with applicable provisions of the Act. No management decision from CPB is required.

Audit of CPB Grants Awarded to the National Black Programming Consortium, New York, NY, for the Period October 1, 2011 - September 30, 2014, Audit Report No. APT1503-1506 (June 11, 2015), <http://www.cpb.org/oig/reports/National-Black-Programming-Consortium-Final-Report.pdf>

ADDITIONAL REPORTING REQUIREMENTS

Peer Review Results

OIG's last 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 this period.

Resolution of Recommendations

The following table summarizes the resolution activities for all audit and evaluation reports issued by our office. We have included 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.	4	\$41,861	\$22,066	\$280,236
Reports issued during the reporting period.	3	\$2,651,733	\$2,202,393	\$161,412
Subtotals	7	\$2,693,594	\$2,224,459	\$441,648
Reports for which a management decision had been made during the reporting period:	4			
<ul style="list-style-type: none"> Dollar value of recommendations agreed to by management 		\$7,567	\$694	\$378,157 ¹
<ul style="list-style-type: none"> Dollar value of recommendations not agreed to by management 		\$34,294	\$21,372	\$75,857
Reports with no management decision at the end of the reporting period.	3	\$2,651,733	\$2,202,393	\$161,412

INVESTIGATIVE ACTIVITIES

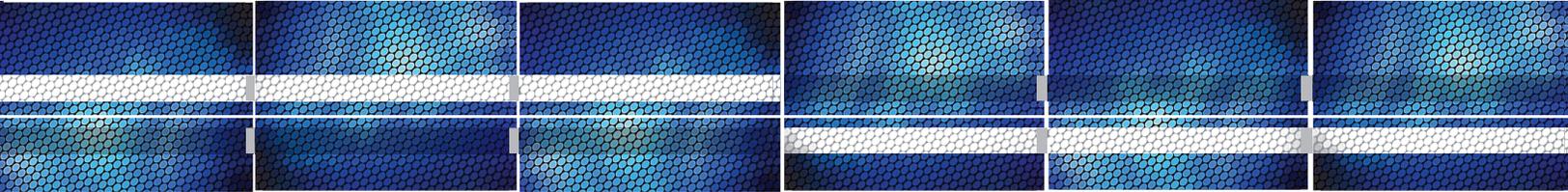
The IG Act provides for OIG to receive and investigate complaints involving potential violations of law, rules, or regulations, mismanagement, gross waste of funds, or abuse of authority. We receive complaints through a variety of means, including our hotline. We review them all to determine whether 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. We closed all three during this reporting period: one was referred internally for possible audit; one was referred to CPB; and for one we provided information to the complainant.

During this reporting period we received 30 new complaints. We referred nine to CPB for its information or action and one to the CPB Ombudsman. In response to seven of the complaints, we provided information to the complainant and closed the matter. We closed ten 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, three complaints remained open.

¹ Includes an additional \$112,278 identified during audit resolution and penalties assessed by CPB management totaling \$61,500 that were not identified in three final audit reports.



Investigations

During this reporting period, we opened no new investigations.

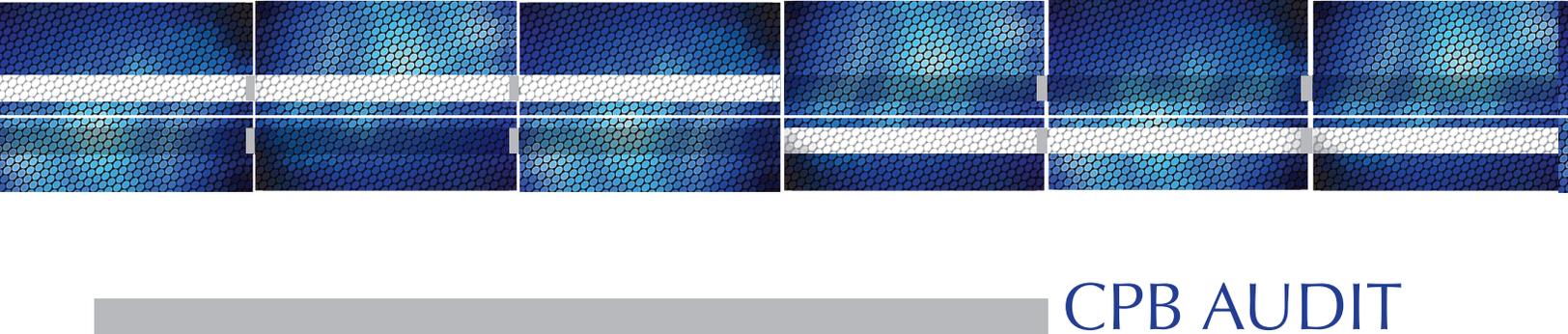
CONGRESSIONAL MATTERS

Responses to Congressional Requests

In June, we responded to a continuing request from the Senate Committee on Homeland Security and Governmental Affairs for information on outstanding unimplemented recommendations. In July, we replied to an inquiry from the same committee about CPB's activities under the Freedom of Information Act, which does not apply to CPB.

OTHER OIG ACTIVITIES

In May, the IG, the Deputy IG, and the Counsel to the IG/Assistant IG for Investigations made presentations at the annual conference of the Public Media Business Association. They talked about the need to be alert to fraud in public media, methods to detect it, and ways to deter it. They also addressed Act compliance issues OIG has identified in its work. The conference was attended largely by financial officials from public media stations. The OIG officials repeated the fraud awareness training three times over the summer for CPB employees.



CPB AUDIT RESOLUTION ACTIVITIES

~Message from the Chief Financial Officer and Treasurer~

September 30, 2015

CPB and the OIG staff continue to work cooperatively to discuss and resolve report findings and recommendations. Generally, corrective actions have been completed or are proceeding according to agreed-upon schedules. We have also begun providing preliminary comments on OIG reports as they are issued to assist the public in understanding the process followed in responding to report recommendations.

CPB continues to work with public media organizations in providing tools and training for their compliance with Communications Act requirements as well as adherence to terms and conditions of CPB grants. In support of these efforts, our Assistant General Counsel and Vice President, Compliance re-wrote CPB guidelines for complying with the Communications Act and distributed this concise reference guide titled “Communications Act - Certification Requirements for Community Service Grants.” These guidelines have been presented at public media business groups, and the reference guide has been distributed to many licensees.

The new guidelines design more clearly explains how a station may comply with the requirements of the Communications Act and provides practical examples. In addition to the guidelines, CPB has begun issuing periodic “CPB Compliance Alerts” to all public television and radio stations. The Alerts inform stations of important compliance topics and provide them with real-world solutions.

These new products demonstrate our commitment to continuous improvement, enhancements to CPB internal controls, processes, and procedures. In this regard, CPB and OIG staff are working together with our grantees to strengthen procedures and controls over station grants, contracts, and CPB assets.



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

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.	6	\$244,310	\$558,423
Reports for which management decisions were made during the reporting period.	4	\$7,567	\$378,157
Subtotal	10	\$251,877	\$936,580
Reports for which final action was taken during the reporting period. ²	4		
<ul style="list-style-type: none"> • Dollar value of disallowed costs that have been recovered through collection or offset. 		\$694	\$467,450 ³
<ul style="list-style-type: none"> • Dollar value of disallowed costs written off as uncollectible. 		\$0	\$0
Reports for which final actions were not completed by the end of the reporting period.	7	\$251,183	\$469,130

CORRECTIVE ACTIONS NOT COMPLETED WITHIN ONE YEAR OF A MANAGEMENT DECISION

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 ⁴
ESR1107-1204	Examination of CPB Grant Funds Awarded to Cesar Chavez Foundation KUFW-FM	March 20, 2012	March 22, 2013	FY 2016 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; grantee suspended from CSG program
ASR1103-1203	Examination of Selected CPB Grants Awarded to Radio Bilingüe, Inc.	March 30, 2012	April 4, 2013	FY 2016 ⁶
APR1209-1306	Audit of CPB Grant Awarded to Youth Media International	September 27, 2013	March 10, 2014	FY 2016 ⁷

² CPB made monetary recoveries on four reports during this reporting period. Final actions were completed on three reports. Funds were collected in full for two reports and funds were made available for reprogramming in the third report. Partial payments were received on the fourth report and a \$25,000 penalty assessed by CPB is under appeal. This leaves a balance of seven reports with monetary collections.

³ Funds totaling \$114,293 were either reprogrammed by the grantee or made available for reprogramming under the grant agreement.

⁴ CPB began recovering \$759,332 in FY 2013. It will deduct \$151,867 from WQED's annual CSG for five years.

⁵ CPB began recovering \$387,696 in FY 2014. It will deduct \$129,232 from KUFW's annual CSG for three years.

⁶ CPB began recovering \$67,606 in FY 2014. It will deduct \$22,535 from Radio Bilingüe (KSJV's) annual CSG for three years.

⁷ 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.

INDEX OF IG ACT REPORTING REQUIREMENTS

IG Act Reference	OIG Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	NA
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	2-5
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	2-5
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	NA
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	NA
Section 5(a)(5)	Summary of Instances Where Information Was Refused or Not Provided	NA
Section 5(a)(6)	List of Audit and Inspection Reports Issued	2
Section 5(a)(7)	Summary of Each Significant Report	2-5
Section 5(a)(8)b	Statistical Table Showing the Number of Audit Reports and Dollar Value of Questioned Costs	7
Section 5(a)(9)	Statistical Table Showing the Number of Audit Reports and Dollar Value of Recommendations that Funds Be Put To Better Use	7
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	NA
Section 5(a)(11)	Description and Explanation of Reasons for any Significant Revised Decisions by Management During the Reporting Period	NA
Section 5(a)(12)	Information Concerning Significant Decisions by Management With Which the Inspector General is in Disagreement	NA
Section 5(a)(14)	Information Regarding Peer Reviews Involving the Office of Inspector General	6
Section 5 Notes	Disclosure of Government Contractor Audit Findings	NA
CPB Management Reporting Requirements		
Section 5(b)(2)	Statistical Table Showing the Total Number of Audit Reports and Results From Disallowed Costs	10
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	10
Section 5(b)(4)	Summary of Audit Reports Where Final Action Has Not Been Completed Within One Year of a Management Decision	10

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

Washington, DC 20004-2129

Website: www.cpb.org/oig/contact.php



— CORPORATION FOR PUBLIC BROADCASTING —
SEMIANNUAL REPORT

OFFICE OF THE INSPECTOR GENERAL OPERATIONS
CPB AUDIT RESOLUTION ACTIVITIES

401 Ninth Street, NW
Washington, DC 20004
(202) 879-9600
www.cpb.org/oig