



April 21, 2016

VIA ELECTRONIC MAIL AND HARD COPY TO FOLLOW

Mr. Don Dunlap  
President and General Manager  
South Texas Public Broadcasting System, Inc.  
KEDT-FM  
4455 South Padre Island Drive, Suite 38  
Corpus Christi, TX 78411

RE: 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, dated September 29, 2015

Dear Mr. Dunlap:

The Corporation for Public Broadcasting's (CPB) Office of the Inspector General (OIG) completed its audit referenced above of South Texas Public Broadcasting System, Inc. (KEDT) and nine other radio stations that received the Community Service Grants (CSG). The OIG's audit objectives were to determine whether these grantees: (a) spent restricted CSG funds on national programming; (b) discretely accounted for CSG revenues and expenditures in their accounting systems; (c) complied with the Communications Act requirements for open meetings, open financial records, Community Advisory Board (CAB), equal employment opportunity reporting, and donor lists and political activities prohibitions; and (d) complied with website transparency requirements in the General Provisions and Eligibility Criteria (General Provisions).

CPB is pleased to note that the OIG found that KEDT and the other stations properly spent CPB restricted funds on national programming and generally complied with the Act, transparency, and discrete accounting requirements, with some exceptions.

Below are the OIG's findings that involve KEDT and CPB's determinations.

**I. OIG Recommendations 1 & 2: Advance Meeting Notice & On-air Announcements (Communications Act)**

Although not mentioned in the audit report, the OIG advised CPB that KEDT provided advance on-air broadcast notice of the required meetings pursuant to the Communications Act. However, the OIG found that KEDT did not make quarterly on-air announcements regarding the station's open meeting practices<sup>1</sup>, which are required under the CSG Requirements<sup>2</sup>.

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<sup>1</sup> Page 5 of the audit report.

<sup>2</sup> Communications Act Certification Requirements for Community Service Grant Recipients, May 2015

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CPB Determination: We are currently reviewing the quarterly notice requirement and anticipate removing it from the CSG Requirements. Therefore CPB considers this matter closed and resolved.

Action: No further action is required of KEDT.

## **II. OIG Recommendations 1 and 2: AFR (Communications Act)**

OIG found that KEDT did not make its AFR available to the public<sup>3</sup> as required by the Communication Act. In response to the OIG's findings, KEDT reported that management staff was aware of the requirement and would have provided the document, but a new employee was unaware of the requirement when questioned by OIG<sup>4</sup>. Since the audit, KEDT has instructed all staff that copies of the AFR are available for the public to view in KEDT's public file and should be provided if requested. The OIG considers the recommendations resolved, pending receipt by CPB of documentation from KEDT that corrective actions were implemented.

CPB Determination: CPB considers KEDT's response to the OIG as sufficient evidence of compliance. KEDT explained that its AFR was not provided because the OIG's request was made to a new employee and it promptly instructed all staff that a copy of its AFR should be made available for review upon request. Considering these facts, CPB considers this matter closed and resolved.

Action: No further action is required of KEDT.

## **III. OIG Recommendations 1 & 2: CAB Activities (Communications Act)**

The OIG found that KEDT was unable to provide documentation that its CAB advised its governing board whether the station's programming was meeting the educational and cultural needs of its communities<sup>5</sup>, pursuant to the CSG Requirements. In its response to the OIG, KEDT indicated that its quarterly CAB meetings now include the CAB's minutes and whether the station's programming meets the educational and cultural needs of the communities it serves<sup>6</sup>. The OIG considers these recommendations resolved, pending receipt by CPB of documentation from KEDT that corrective actions were implemented.

CPB Determination: KEDT's president and general manger explained to CPB that he attends every CAB meeting and conveys the CAB's concerns and views to KEDT's governing board. These updates would in general include whether, in the CAB's opinion, the station's programming meets the educational and cultural needs of the communities it serves. While this process was not documented, CPB accepts these representations and believe they meet the Communications Act requirements without the documentation.

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<sup>3</sup> Page 6 of the audit report.

<sup>4</sup> Exhibit G of the audit report.

<sup>5</sup> Page 7 of the audit report.

<sup>6</sup> Exhibit G of the audit report.

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Because of this and the fact that KEDT met all other requirements of a CAB, CPB considers this matter resolved and closed.

Action: No further action is required of KEDT.

#### **IV. OIG Recommendation 3: Website CAB Notices (General Provisions)**

The OIG found that KEDT posted eight of the nine required items on its website pursuant to the transparency requirements in the General Provisions. The item it failed to include was notice of upcoming CAB meetings. The OIG recognized that KEDT had already instituted corrective measures concerning this requirement<sup>7</sup>.

CPB Determination: We are currently reviewing this notice requirement and anticipate removing it from the General Provisions, since it is similar to one in the Communications Act. Considering this and the fact that KEDT posted all but on one of the nine items required on its website, CPB considers this matter resolved and closed.

Action: No further action is required of KEDT.

#### **V. OIG Recommendation 8: AFR Schedule E (General Provisions)**

The OIG found KEDT properly spent its restricted funds on national programming as required by the General Provision, but that it did not correctly report its CSG restricted expenses on Schedule E of its AFR<sup>8</sup>. The OIG recommends that CPB require KEDT to explain what internal controls it will institute to ensure accurate reporting in the future.

In response to the OIG's findings, KEDT advised that it has taken action to ensure the proper recording of CPB restricted fund expenditures in future AFRs by reviewing the requirement with the business services staff at the National Educational Telecommunications Association, who assist KEDT in completing its AFR<sup>9</sup>. As a result, OIG considers this matter resolved, pending CPB's verification that KEDT accurately reported CPB restricted fund expenditures on the FY 2015 AFR.

CPB Determination: The OIG's audit found KEDT spent its restricted CSG funds consistent with the restrictions in the General Provisions, consistent with the audit objectives. Accordingly, CPB considers this issue resolved and closed.

Action: Issuing a finding for this type of error is, in CPB's opinion, unwarranted. CPB considers this issue resolved and closed and no further action is required of KEDT.

The required documentation should be provided to: Katherine Arno, Director, TV CSG Policy & Review, CPB at: [karno@cpb.org](mailto:karno@cpb.org).

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<sup>7</sup> Exhibit G of the audit report.

<sup>8</sup> Page 15 of the audit report.

<sup>9</sup> Exhibit G of the audit report.

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If you wish CPB to consider additional information relating to this matter, please provide the information in writing within 30 days of the date of this letter. Failing that, CPB will consider these determinations final, and KEDT will be required to comply with the required actions set forth above. In the event KEDT fails to comply with these actions, CPB reserves the right to withhold the pending CSG payment and any other funding due KEDT, and to take any other action CPB deems appropriate until these issues are resolved to CPB's satisfaction.

We appreciate the work that KEDT does in support of public media and trust that we can resolve these issues cooperatively.

Kind regards,



Jackie J. Livesay  
Assistant General Counsel & Vice President, Compliance

CC: VIA ELECTRONIC MAIL

Steve Hipes, Board Chair, KEDT-FM  
Mary Mitchelson, Inspector General, CPB  
William J. Richardson, Deputy Inspector General, CPB  
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