



Corporation  
for Public  
Broadcasting

Via Electronic Mail

August 31, 2020

Mr. Scott Varner  
Executive Director of Strategic Communications  
WCBE-FM  
Columbus City Schools  
270 East State Street  
Columbus, OH 43215

Dear Mr. Varner,

WCBE-FM, Columbus, Ohio for the Period July 1, 2016 through June 30, 2018, Report No. ASR1912-2005.

The audit referenced above was conducted after CPB became aware of financial mismanagement at the station following press reports and an internal review handled by WCBE-FM's (WCBE) licensee, i.e., the Board of Education of the City School District of Columbus, Ohio (Board of Education).

The audit concluded that WCBE did not comply with CSG Certifications of Eligibility, provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act or Act), CPB's Financial Reporting Guidelines' (Guidelines) concerning non-federal financial support (NFFS), and the terms of its community service grants (CSG). Namely, that WCBE misrepresented the financial information it provided to CPB in multiple documents; that it did not spend \$90,923 of CSG funds within the required period; that it overstated NFFS which resulted in potential CSG overpayments of \$2,409; and that it did not fully comply with the terms and conditions of its grants.

The specific findings and CPB's determinations for WCBE follow.

**Recommendations 1 and 2: Inaccurate and Incomplete Financial Information**

The General Provisions and Eligibility Criteria (General Provisions) governing each CSG required WCBE to certify annually to CPB, its compliance with the same, the applicable provisions in the Communications Act, CPB's Guidelines and the Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities. The General Provisions also required WCBE to certify the accuracy of the information in its annual financial report (AFR), that is based on its audited financial statements, which it provides to CPB annually.

The audit found that the financial information WCBE represented and warranted to CPB as accurate for fiscal years (FY) 2018 and 2019, was inaccurate for several reasons, one being that these documents were not prepared using full accrual accounting and complete financial information. The audit results were consistent with the Board of Education's internal review concerning unrecorded liabilities, and it recommended that CPB require WCBE to submit a full accrual accounting and accurate financial statements and reports with its future CSG applications, and that CPB require WCBE to identify the corrective actions it will take to resolve internal control deficiencies.

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In response, the Board of Education described the controls it has or will put in place, including process changes for invoice payments, invoice approvals, underwriting contracts, monitoring delinquent payments, improved recordkeeping, staff education, and board review of contract obligation documents.

We agree with the IG's finding that deficiencies in WCBE's recordkeeping and financial reporting practices resulted in providing inaccurate financial information to CPB. Therefore, we require that WCBE provide CPB with a full accrual accounting and accurate financial statements with its FY 2020 annual financial report. In addition, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must submit to CPB a full accrual accounting and accurate financial statements and reports with its FY 2020 annual financial report by November 30, 2020 and the documentation must be sent within 45 days of this letter.

### **Recommendations 3, 4 and 5: CSG Funds Spent After Grant Term Expired**

The General Provisions governing each CSG provided that the funds be spent within a two-year period, for expenses detailed therein. They also required WCBE to return any CSG funds that were not spent during those periods or on unallowed expenses.<sup>1</sup> The audit found that WCBE did not spend \$90,923 within the required periods and that a portion was used to pay altered invoices. It also identified \$27,843 that WCBE had not spent during the required periods for its FYs 2017 and 2018 CSGs.

As a result, the audit found that WCBE lacked adequate internal controls, grant monitoring procedures and an understanding of the CSG requirements, and it recommended that CPB require WCBE to return the \$90,923 to CPB, that CPB determine whether to compel WCBE to return the \$27,843 and that CPB require WCBE to identify the corrective actions and controls it will implement to ensure future compliance with the CSG spending periods. The Board of Education officials acknowledged that they did not adequately monitor the CSGs or WCBE's management of them. Nonetheless, the Board of Education argued that the funds should not be returned because they were spent on allowed expenses, such as national programming. It also explained that the former general manager had not shared the CSG documents with its Budget and Treasurer's Office, which impeded its usual scrutiny. Going forward, the school district indicated that this Office will be involved, and it will track the spending periods to ensure that the funds are spent within the required time periods.

Considering the deficiencies in WCBE's record keeping and financial reporting practices identified by the audit, CPB requires that WCBE must return to CPB the \$90,923 in unexpended FY 2015 and 2016 CSG funds, as well as the \$27,843 unexpended FY 2017 and 2018 CSG funds.

Regarding the corrective actions and controls, we agree with this recommendation and require that WCBE and the Board of Education provide to CPB a written description of the corrective actions and controls they will implement to ensure their future compliance. This document must be signed by WCBE and its Licensee Official.<sup>2</sup> In addition, to ensure that WCBE and the Board of Education understand the requirements governing their CSGs, we require that WCBE and the Board of Education each have a staff person who is involved in preparing WCBE's financial reports, attend four of CPB's live financial reporting webinars covering different topics, that will be held in September and October, 2020.

CPB adopted the CSG Non-compliance Policy to encourage grantees to comply with the applicable provisions governing their CSG and the Communications Act. The General Provisions require CSG funds be expended within the two-year spending period or the recipient must return the unexpended funds to CPB. The audit found that WCBE failed to do so. Failure to comply with General Provisions requirements subjects the recipient to a \$1,000 penalty per incident.

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<sup>1</sup> FY2020 General Provisions, Part I, Section 14.

<sup>2</sup> FY2019 and 2020 General Provisions, Part II, Paragraph EE.

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Considering that WCBE failed to return unspent CSG funds on two occasions, CPB will assess a penalty of \$2,000 against WCBE. The penalty must be provided to CPB within 45 days of the date of this correspondence.

Action: WCBE must return \$118,766 in unspent CSG funds to CPB as described below, WCBE and the Board of Education must send representatives to CPB's September and October 2020 training and WCBE must provide the required documentation and \$2,000 penalty to CPB within 45 days of the date of this letter.

### **Recommendations 6 and 7: Overstated NFFS and Other AFR Reporting Errors or Omissions**

The audit recommended that CPB recover \$2,409 in CSG overpayments detailed below and require WCBE to identify the corrective actions and controls it will implement to ensure its future compliance with the same.

#### **A. Underwriting Contributions from Ineligible Sources**

CPB's Guidelines do not permit CSG recipients to report as NFFS, funds provided by public broadcasting entities.<sup>3</sup> The audit disallowed underwriting that WCBE included as NFFS, which was provided by universities that were licensees of public broadcasting entities which are by definition public broadcasting entities. This resulted in \$524 in CSG overpayments, \$381 for FY 2019 and \$143 for FY 2020. We agree that WCBE must return these overpayments and identify the correction actions and controls it would implement to ensure its future compliance. In addition, CPB will assess a penalty as explained below.

Action: WCBE must return \$524 in CSG overpayments to CPB, as described below.

#### **B. Indirect Administrative Support**

CPB's Guidelines give CSG recipients the option to calculate NFFS provided as indirect administrative support (IAS) by their licensees<sup>4</sup> using one of several methods and WCBE chose the Basic Method. IAS is the value of services institutional licensees provide to their stations for general and administrative costs (institutional support), facilities costs (operations and maintenance of plant), and occupancy.

The audit identified several errors that WCBE made in calculating IAS, including errors in allocating its institutional and physical plant support rate, selecting costs pools that did not benefit the station, identifying the correct square footage and occupancy value. These errors resulted in \$1,885 in CSG overpayments, \$926 for FY 2019 and \$959 for FY 2020.

The audit recommends that we require WCBE to return the overpayment and to identify the corrective action and controls it will implement to ensure its future compliance with IAS reporting. We agree with a portion of this finding and require WCBE to return the CSG overpayments of \$1,885. However, since CPB has adopted a new simplified method for calculating IAS and the Basic Method is no longer allowed, we will not require the additional documentation.

Action: WCBE must return \$1,885 in CSG overpayments to CPB, as described below.

#### **C. CPB Non-compliance Policy:**

CPB's Non-compliance Policy provides that the failure to comply with the requirements governing a recipient's CSG which results in an overpayment of the same subjects the recipient to a penalty of ten percent of the amount of the overpayment. Accordingly, CPB will assess a penalty of \$241 against WCBE for the

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<sup>3</sup> FY2017 and 2018 Guidelines, Sections 2.3.1 and 2.3.2.

<sup>4</sup> FY2017 and 2018 Guidelines, Section 2. 7. 1.

CSG misreporting in paragraphs A and B above, which it must be provide to CPB within 45 days of the date of this correspondence.

Action: WCBE must provide the \$241 penalty to CPB, within 45 days of the date of this letter.

D. Incorrect Donor Source Codes on AFR

The audit found that WCBE misreported the source of select underwriting contributions on its AFRs, identifying them as business entities instead of local government, nonprofits and public broadcasting entities. We agree that WCBE should use the proper codes; however, because we require that it attend our financial reporting training, as noted in the determination for Recommendations 3, 4 and 5, we require no further action.

Action: No further action is required.

E. High-end Membership Premium Exclusions

CPB's Guidelines require CSG recipients to deduct the cost of high-end premiums they provide to donors in exchange for membership donations, using IRS Publication 1771 guidance. Because WCBE did not maintain adequate records, the audit was unable to verify the same which may have resulted in an overpayment of its CSGs.

The audit recommended that CPB require WCBE to identify the corrective actions and controls it will implement to ensure compliance with this requirement going forward. While WCBE indicated that it has taken corrective actions to monitor its high-end premiums and maintain better recordkeeping of premiums, it did not provide any details. Therefore, we require that it provide the same within 45 days of the date of this letter.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. Accordingly, CPB will assess a penalty of \$2,000 for WCBE's failure to deduct high-value premiums.

Action: WCBE must provide to CPB the \$2,000 penalty and written documentation identifying the corrective actions and controls will put into place to ensure it deducts and maintains documentation to establish the cost of high-end premiums documentation, within 45 days of the date of this letter.

**Recommendations 8 and 9: Communications Act Compliance**

The audit found that WCBE was not compliant with the requirements below and it recommended that CPB require WCBE to identify corrective action and controls it will implement to ensure its future compliance with the same.

A. Open Meetings – Advance Notice

The Communications Act requires that stations provide advance notice of open board and board committee meetings, and document and make available to the public reasons for closing them.<sup>5</sup> CPB requires that the notice be at least seven days and that the reasons for closing be documented within ten days of the meeting.<sup>6</sup> The audit found that WCBE gave two days advance notice of one board meeting and the required seven days advance notice for the other 11 open board and committee meetings tested. The audit also found that WCBE was unable to provide evidence of advance notice for an upcoming committee meeting.

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<sup>5</sup> 47 U.S.C. §396 (k) (4).

<sup>6</sup> FY2019 and 2020 General Provisions, Section 2.

The CSG Non-compliance Policy provides for a penalty of \$5,000 per infraction for non-compliance with the Communications Act. Because WCBE was compliant in most instances, we will assess a reduced penalty of \$2,500. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$2,500 penalty and documentation within 45 days of the date of this correspondence.

#### B. Open Financial Records

CPB requires recipients post on their station website their most recent audited financial statements and their AFR.<sup>7</sup> The audit found that WCBE had not posted either document on its website, because of staff turnover and a lack of understanding the requirements.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. CPB will assess a penalty of \$1,000 against WCBE. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$1,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

#### C. EEO Employment Statistical Report

The Communications Act requires stations, including WCBE, with six or more full-time employees to annually report to CPB, information about their employees, broken out into several full- and part-time categories and make that information available to the public at their central office and every location with six or more employees. This information is captured in their activity survey that they submit to CPB annually. The audit found that WCBE had completed this report but did not make this document available.

The CSG Non-compliance Policy provides for a penalty of \$5,000 for non-compliance with each category in the Communications Act. Since WCBE did not make the report available, we will assess a penalty of \$5,000. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$5,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

### **Recommendations 10 and 11: General Provisions**

The audit found that WCBE was not compliant with the requirements below and recommended that CPB require WCBE to identify the corrective actions and controls it will implement to ensure its future compliance with the same.

#### A. Diversity Statement

The General Provisions for both CSGs required WCBE to create a diversity statement, update it annually and either post the statement on its website or make a copy available at its central office.<sup>8</sup> The audit found that

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<sup>7</sup> FY2019 and 2020 General Provisions, Section 9.

<sup>8</sup> FY2019 and 2020 General Provisions, Section 8.

WCBE did not have a diversity statement and while the Board of Education communicated that it was unaware of the requirement, it promptly began the process to develop one.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. Accordingly, CPB will assess a penalty of \$1,000. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$1,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

#### B. Transparency

The General Provisions for both CSGs required WCBE to maintain its local content and services report available at its central office or post it on its website.<sup>9</sup> The audit found that WCBE did not comply with this requirement and WCBE acknowledged that it was not aware of it but it promptly made it available on its website.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. WCBE did not make its report available for either CSG period. Since WCBE promptly corrected the issue while the audit was in process, CPB will assess a reduced penalty of \$1,000. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$1,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

#### C. Discrete Accounting

The General Provisions for both CSGs required WCBE to use unique accounting codes to identify CSG funds – both revenues and expenses, restricted and unrestricted.<sup>10</sup> The audit found that WCBE maintained these codes for its restricted revenues and expenses but not its unrestricted, even though it certified its compliance with same in its CSG Agreements.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. Considering that WCBE complied in part with the requirement and that it promptly implemented additional processes to track restricted and unrestricted expenses, CPB will assess a reduced penalty of \$1,000 (\$500 per year). In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$1,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

#### D. Harassment Prevention Training

The General Provisions for both CSGs required WCBE to provide annual harassment prevention training for all its officers, employees, and interns<sup>11</sup> and certify its compliance of the same to CPB in its CSG Agreement. WCBE provided the training as required in 2018 but not in 2019. WCBE and the Board of Education indicated that they are working to ensure that the training is completed timely going forward.

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<sup>9</sup> FY2019 and 2020 General Provisions, Section 9.

<sup>10</sup> FY2019 and 2020 Guidelines, Part II, Paragraph S.

<sup>11</sup> FY2019 and 2020 General Provisions, Section 10.

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WCBE-FM

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. Considering that WCBE provided the training in 2018 and that it promptly took steps to ensure the training is provided timely going forward, CPB will assess a reduced penalty of \$500. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$500 penalty and documentation to CPB, within 45 days of the date of this correspondence.

#### E. Record Retention

The General Provisions for both CSGs required WCBE to provide CPB and its representatives access to all records concerning its CSGs and to retain all CSG records for a period of three years to substantiate their CSG Agreement.<sup>12</sup> The audit found that WCBE did not comply with this requirement because it failed to retain adequate records of its underwriting agreements, invoice billings, collections and membership premiums. Consequently, it was unable to verify underwriting receipts nor was it able to verify premiums provided to donors. The issue was in part because the station changed its underwriting order and billing system software in 2019 and did not retain historical information.

The CSG Non-compliance Policy provides for a penalty of \$1,000 per infraction for non-compliance with the General Provisions. Therefore, CPB will assess a penalty of \$2,000. In addition to the penalty, we require documentation of the controls WCBE will put in place to ensure compliance going forward.

Action: WCBE must provide the \$2,000 penalty and documentation to CPB, within 45 days of the date of this correspondence.

In summary, CPB will recover the CSG overpayments of \$2,409 through an adjustment to WCBE's FY 2021 CSG award and WCBE must forward a check for \$137,007 for funds spent beyond the grant term and non-compliance penalties, payable to CPB, within 45 days of the date of this letter.

Nick Stromann, Vice President, Controller  
Corporation for Public Broadcasting  
401 Ninth Street N.W.  
Washington, D.C. 20004-2129

If you wish CPB to consider additional information relating to this matter, please provide the same in writing within 30 days of the date of this letter. Otherwise, CPB will consider these determinations final and WCBE must comply with the actions set forth above. CPB reserves the right to take any other action it deems appropriate until these issues are resolved to CPB's satisfaction.

Kind regards,

*Jackie J. Livesay*

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

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<sup>12</sup> FY2019 and 2020 General Provisions, Section 3.

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CC: VIA ELECTRONIC MAIL

Michael S. McCammon, Controller  
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