



April 21, 2016

VIA ELECTRONIC MAIL AND HARD COPY TO FOLLOW

Ms. Melba Smith  
General Manager  
Elizabeth City State University - WRVS-FM  
1704 Weeksville Road  
Campus Box 800  
Elizabeth City, NC 27909

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 Ms. Smith:

The Corporation for Public Broadcasting's (CPB) Office of the Inspector General (OIG) completed its audit referenced above of WRVS-FM (WRVS) 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 CSG restricted funds on national programming; (b) discretely accounted for CSG revenues and expenditures in their accounting systems; (c) complied with the Communications Act (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 WRVS and the other stations properly spent CPB restricted funds on national programming and related activities and generally complied with the Act, transparency, and discrete accounting requirements, with some exceptions.

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

**I. OIG Recommendations 1 and 2: AFR (Communications Act) & Instructions (General Provisions)**

The OIG found that WRVS did not make its AFR available to the public for review, pursuant to the Communications Act Requirements for Community Service Grant Recipients<sup>1</sup>. The OIG also found that WRVS did not post instructions<sup>2</sup> for obtaining a copy of the station's AFRs<sup>3</sup>,

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<sup>1</sup> May 2015 edition.

<sup>2</sup> Page 6 of the audit report.

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

required by the General Provisions. The OIG requires that WRVS:

- A. provide documentation of the corrective actions implemented and those planned with an estimated completion date, and that CPB evaluate their adequacy; and
- B. identify internal controls instituted (e.g., documenting that the requirement was met) to ensure future compliance with open financial records.

WRVS reports that it has posted its AFR to its website<sup>4</sup>. Consequently, the OIG considers this issue resolved but open, pending receipt by CPB of the documentation that corrective actions have been implemented.

CPB Determination: With regard to the instructions, we are in the process of reviewing this and other requirements in the General Provisions and anticipate removing this requirement. Consequently CPB believes it would be unfair to penalize or require further action of WRVS and CPB considers this issue resolved and closed.

As to WRVS' AFR, CPB agrees with the OIG's findings that the station failed to make it available. CPB reviewed the station's website and confirms that WRVS has posted its AFR. Stations are not required to post their AFRs, but it is one way that stations may make required financial reports available to the public.

Stations that fail to comply with the CSG Requirements<sup>5</sup> are subject to a penalty of \$5,000 for each non-compliant finding, which applies to WRVS' failure to make its AFR available for public review. Considering that WRVS has promptly complied with this requirement, met all the other requirements for open financial records in the CSG Requirements and has less than \$500,000 in non-federal financial support, CPB is assessing a reduced penalty of \$1,000 against WRVS for failing to make its AFR available to the public.

Action: WRVS must pay the \$1,000 penalty to CPB within 60 days of the date of this correspondence.

## II. OIG Recommendation 3: Instructions (General Provisions)

The Transparency section of the General Provisions lists nine items that stations must post on their website. The OIG found that WRVS failed to post one of these items, i.e. instructions explaining how the public may obtain a copy of its financial reports<sup>6</sup>.

CPB Determination: This issue has been addressed in Section I above.

Action: No further action is required of WRVS.

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

<sup>5</sup> Communications Act for Community Service Grant Recipients, May 2015.

<sup>6</sup> Page 10 of the audit report.

Ms. Melba Smith  
General Manager  
WRVS-FM

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

The General Provisions require that stations use unique accounting codes to identify CPB funds – revenues and expenses, restricted and unrestricted. This allows an auditor to track those funds within the CSG recipient's accounting system. Although the OIG found that WRVS properly spent its restricted funds on national programming and related activities, it did not correctly report its CSG restricted expenses on Schedule E<sup>7</sup> of its 2015 fiscal year AFR.

In response to the OIG<sup>8</sup>, WRVS reports that its licensee will establish two separate funds within its accounting ledger to ensure accurate reporting of restricted fund expenditures in Schedule E. Based on this, the OIG considers this matter resolved but open, pending CPB's verification that WRVS accurately reported CPB restricted fund expenditures on its Schedule E.

**CPB Determination:** WRVS indicated that it has made the necessary adjustments to its accounting system to ensure proper reporting of restricted expenditures going forward. Requiring WRVS to revise this Schedule would have no impact on its CSG. Considering this and the fact that the OIG found that WRVS spent its restricted CSG funds consistent with the restrictions in the General Provisions, CPB is unwilling to require the station to revise this Schedule.

**Action:** Issuing a finding for this type of error is, in CPB's opinion, unwarranted. CPB considers WRVS's response more than sufficient and no further action is required of WRVS.

Please make your check for the penalty of \$1,000 payable to CPB and forward to:

Nick Stromann  
Vice President, Controller  
Corporation for Public Broadcasting  
401 Ninth Street NW  
Washington, DC 20004-2129

If you have additional information concerning these determinations that you would like CPB to consider, please forward the same to me in writing, within 30 days of the date of this correspondence. Failing that, CPB will consider these determinations final, and WRVS will be required to comply with the actions set forth above. In the event WRVS fails to comply with the required actions, CPB reserves the right to withhold the pending CSG payment due WRVS and to take any other action CPB deems appropriate until these issues are resolved to CPB's satisfaction.

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<sup>7</sup> Page 15 of the final audit report.

<sup>8</sup> Exhibit H of the audit report.

Ms. Melba Smith  
General Manager  
WRVS-FM

We appreciate the work that WRVS does to support public media and trust that we can work cooperatively to resolve these issues quickly.

Kind regards,



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

CC: VIA ELECTROINC MAIL

Thomas Conway, Licensee Official, WRVS-FM  
Mary Mitchelson, Inspector General, CPB  
William J. Richardson, Deputy Inspector General, CPB  
Steven J. Altman, Executive Vice President and Chief Operating Officer, CPB  
J. Westwood Smithers, Jr., Senior Vice President & General Counsel, CPB  
William P. Tayman, Jr., Chief Financial Officer & Treasurer, CPB  
Ted Krichels, Senior Vice President, System Development & Media Strategy, CPB  
Bruce Theriault, Senior Vice President, Journalism and Radio, CPB  
Erika Pulley-Hayes, Vice President, Radio, CPB  
Greg Schnirring, Vice President, Station Grants and Television Station Initiatives, CPB  
Nick Stromann, Vice President, Controller, CPB  
Katherine Arno, Director, TV CSG Policy and Review, CPB  
Nadine Feaster, Director, Grants Administration, CPB  
Andrew Charnik, Director, Radio CSG Policy and Administration, CPB