



Corporation
for Public
Broadcasting

December 18, 2019

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Mr. Randall Wright
Executive Director
WUFT-TV and Radio
University of Florida
College of Journalism and Communications
Weimer Hall
P.O. Box 118405
Gainesville, FL 32611-8405

Dear Mr. Wright,

RE: Audit of Community Service Grants Awarded to WUFT-TV and Radio, University of Florida, Gainesville, FL, for the Period July 1, 2016 through June 30, 2018, Report No. ASJ1902-1903

The audit referenced above concluded that WUFT television and radio stations (collectively WUFT) complied with the terms of \$2,349,429 in CPB grants, including its CSG Certifications of Eligibility, the applicable provisions in the Communications Act of 1934, 47 U.S.C. §396, et sec. (Communications Act or Act), and reporting non-federal financial support (NFFS), pursuant to CPB's Guidelines¹. However, it identified several errors in NFFS resulting in a \$25,393 community service grant (CSG) overstatement, questioned costs that WUFT allocated to its CSGs after their grant terms lapsed, and found that WUFT did not comply fully with the discrete accounting requirement.

The specific findings and CPB's determinations follow.

I. Recommendations 1 & 2

The report recommended that CPB recover the CSG overpayments below and require WUFT to identify the corrective action and controls it will implement to ensure future compliance with the related reporting requirements.

¹ Financial Reporting Guidelines for Preparing the Annual Financial Report (AFR) & Financial Summary Report (FSR), Fiscal Year 2017 and 2018 Editions.

A. Premium Exclusions

Grantees that provide premiums, i.e. “Thank you gifts”, to donors, may report the amount of the donation less the fair market value of those premiums as NFFS, pursuant to the Guidelines (Part III – AFR and FSR Line Item Instructions). The audit found that WUFT reduced its contributions by the direct cost of the premiums it provided, instead of their fair market value, resulting in a \$7,151 television CSG overstatement. Additionally, it discovered that WUFT did not make the requisite reductions for premiums it provided to radio donors, resulting in a \$1,114 radio CSG overpayment. When brought to its attention, WUFT promptly corrected these issues. While we will offset the television CSG overpayment against the amount the audit identified as underreported in the same year, WUFT must return the radio CSG overpayment to CPB as explained in the Summary below.

Action: WUFT must return the \$1,114 radio CSG overpayment to CPB.

B. Appropriations

Institutional licensee stations may report, as NFFS, appropriations to and expenses incurred by their institutions on the stations’ behalf, pursuant to CPB’s Guidelines (Section 2.3.2). The audit revealed that WUFT improperly reported as NFFS a portion of its appropriation related to its licensee’s commercial radio station and its television station’s tower expenses. The audit also found that WUFT misallocated the appropriation to WUFT-TV and FM. These errors resulted in a \$6,365 radio CSG overpayment and a \$8,084 television CSG understatement.

We and WUFT agree with this finding. While we will offset the television CSG understatement against the amount the audit identified as overstated in the same year, as explained in the Summary below, WUFT must return the radio overpayment to CPB.

Action: WUFT must return the \$6,365 radio CSG overpayment to CPB.

C. Payments

Stations may not report payments, i.e. where each party receives and provides cash or other assets of approximate equal value, as NFFS, under CPB’s Guidelines (Section 2.2). The audit discovered that WUFT erroneously reported a finder’s fee as NFFS resulting in a \$130 radio CSG overpayment and a \$94 television CSG overpayment. We and WUFT agree with this finding. While we will offset the television CSG overpayment against the amount the audit identified as underreported in the same year, as explained in the Summary below, WUFT must return the radio overpayment to CPB.

Action: WUFT must return the \$130 radio CSG overpayment to CPB.

D. Ineligible Contributions

Certain income from investments and endowments may be reported as NFFS, according to the Guidelines (Part III – AFR and FSR Line Item Instructions. Line 15A and 17B-D). WUFT included such income as NFFS, which the audit disallowed, because WUFT was unable to segregate the amount of investment earnings on its endowments. WUFT also applied outdated allocation methods in 2017. As the audit

proceeded, WUFT worked with the University of Florida Foundation to calculate the correct allocations for the following year.

In addition, the audit disqualified funds that WUFT reported as NFFS for third party underwriting fees, because of a lack of constructive receipt. Underwriting reported as NFFS must either be received directly by the grantee or constructively through a third party, according to the Guidelines (Section 2.5.2). To establish constructive receipt, the station must have a written agreement with a third party, authorizing the third party to receive funds on the grantee's behalf and WUFT had not documented this arrangement.

Combined, the underwriting and allocation errors resulted in a \$733 radio CSG overpayment and a \$1,590 television CSG overpayment. We and WUFT agree with this finding. While we will offset the television CSG overpayment against the amount the audit identified as underreported in the same year, as explained in the Summary below, WUFT must return the radio overpayment to CPB.

Action: WUFT must return the \$733 radio CSG overpayment to CPB.

E. Ineligible Indirect Administrative Support:

Stations licensed to institutions, such as a university or state or local government, may report, as NFFS, indirect administrative support (IAS) that they receive from their licensees pursuant to the Guidelines (Section 2.7.1). IAS is the value of services institutional licensees provide to their stations for general and administrative costs (institutional support) and facilities costs (operations and maintenance of plant) and for occupancy values.

The audit identified several errors that WUFT made in calculating IAS, resulting in a \$17,051 radio CSG overpayment for 2019 and a \$10,027 television CSG underpayment. WUFT took steps to correct similar errors in the following year. The calculation errors were as follows:

- WUFT overstated its radio and television institutional support rate by not adjusting its net direct station expenses and its net licensee expenses used to make its rate calculations;
- WUFT overstated its radio and understated its television physical plant operations support rate by applying an outdated station and licensee square footage in its rate calculations;
- WUFT overstated institutional and physical plant support cost pools benefiting it by including cost pools that did not provide an essential and continuous benefit to it; and
- WUFT understated occupancy value by applying an incorrect station square footage for its percentage of building space allocation.

We and WUFT agree with the finding and WUFT must return the \$17,051 radio CSG overpayment to CPB. However, we will allow WUFT to offset the television underpayment by the overreported amounts in the same year, that were identified by the audit.

Action: WUFT must return the \$17,051 radio CSG overpayment to CPB.

F. Summary

In summary, WUFT overstated its 2019 radio NFFS and must return the resulting \$25,393 radio CSG overpayment to CPB through an adjustment to its 2019 NFFS.² As for WUFT's television NFFS, the understated amount exceeds that overstated during 2019. WUFT cannot recoup the balance because CPB distributes each year's appropriation entirely in the year received. To avoid this scenario, we encourage grantees to work with their auditors and accounting staff to ensure that the NFFS they report to CPB is accurate. Likewise, CPB cannot net radio and television CSG overstatements and understatements because the amounts allocated annually for each are established by the Communications Act.

As for the recommendation that CPB require WUFT to identify the corrective actions and controls it implemented to ensure compliance with NFFS reporting requirements, WUFT was cooperative, correcting several issues uncovered during the audit that would impact its NFFS in the following year, and set forth the steps it will take going forward to comply with the same as explained in its May 21, 2019 correspondence. In our opinion, these are ample evidence of the corrective actions and controls implemented, and no further documentation is necessary.

Action: WUFT must return the \$25,393 radio CSG overpayment through an adjustment to its 2019 NFFS. CPB will provide specific information at the time due¹.

G. CSG Non-compliance Policy

CPB adopted the CSG Non-compliance Policy to encourage grantees to comply with the applicable provisions governing their CSG and the Communications Act. Failure to comply with these requirements which results in an overpayment of the recipient's CSG subjects the recipient to a penalty of ten percent of the amount of the overpayment, in addition to refunding the overpayment. Therefore, we are assessing a penalty of \$2,539 against WUFT.

Action: WUFT must provide the \$2,539 penalty to CPB within 45 days of the date of this correspondence.

II. Recommendations 3 and 4

The audit found that WUFT paid \$372,804 in station expenditures with non-CSG funds, then reallocated them to the CSGs after their grant terms lapsed for its 2015 and 2016 CSGs and its 2017 interconnection grant. It recommended that CPB determine if the payments are allowable and ensure WUFT's corrective action plans and controls are implemented.

When this issue was identified, the Office of Inspector General engaged in discussions with WUFT management and representatives from the University of Florida's Office of Contracts and Accounting Services (Office of Contracts). WUFT maintained and the audit report recognized that the expenses incurred would have been allowed had they been charged to the respective CSGs when incurred and provided supporting documentation. WUFT attributed the error to administrative circumstances, including a combination of personnel turnover in its business office and an increased volume and

¹ Because the IRR varies each year, the 2021 calculations may be slightly over or under this amount. Therefore, CPB will make the necessary adjustment.

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WUFT-TV and Radio

complexity of grants, appropriations and projects support by WUFT.

To address this issue, WUFT explained that it has begun working with the Office of Contracts to adopt better business practices to ensure compliance with 2019 grant terms. Further, the Office of Contracts acknowledged that the process it followed was not a best practice and made it clear that it would be working with WUFT to make sure that future CSG expenditures are recorded contemporaneously. We appreciate WUFT and the Office of Contract's forthrightness, their willingness to accept responsibility for the mistakes, and their prompt cooperation to address these issues. Taking these points into consideration, as well as the station's size, the prospective impact of the amount involved on its operations, and the audit's acknowledgement that the costs were incurred during the appropriate period and would have been allowed if they had been paid with CSG funds at that time, we will not require WUFT to return the funds or take any further action.

The CSG Non-compliance Policy, as stated above, provides for a penalty of \$1,000 for each instance of noncompliance with the General Provisions and Eligibility Criteria. Although the spending periods were clearly identified in each agreement that WUFT signed to obtain these grants, considering the swift steps WUFT assumed to correct the issues identified by the audit, the station's size, and that no misspending was identified, we are assessing a reduced penalty of \$3,000 against WUFT.

Action: WUFT must provide the \$3,000 penalty to CPB within 45 days of the date of this correspondence.

III. Recommendation 5

CSG recipients are required to use unique accounting codes to identify CSG funds – both revenues and expenses, restricted and unrestricted – so that both CPB and an auditor can discretely track those funds within the recipient's accounting system. Although the audit found that WUFT was compliant with their requirement for its television CSG funds, WUFT did not comply with this requirement for its radio CSG revenues and expenditures, restricted and unrestricted. We and WUFT agree. The report noted that WUFT had corrected this issue, as explained in its correspondence of May 21, 2019, and recommends that CPB ensure that WUFT properly identifies its restricted and unrestricted accounts on its 2020 Radio Community Service Grant Agreement and Certification of Eligibility. In light of the prompt action undertaken by WUFT to fix this issue and that the audit did not identify any misspending, we will not require any further action.

The CSG Non-compliance Policy provides for a penalty of \$1,000 for each instance of noncompliance with the General Provisions and Eligibility Criteria, which includes the discrete accounting requirement. Taking into consideration that WUFT discretely accounted for its television CSG funds and promptly updated its practice, we will assess a reduced penalty of \$500 against WUFT.

Action: WUFT must provide the \$500 penalty to CPB within 45 days of the date of this correspondence.

IV. Recommendation for CPB

The Report comments on the efficacy of applying the basic method to calculate IAS. CPB will address this recommendation with the Office of Inspector General and no further action is required of WUFT.

Action: No further action is required of WUFT.

Mr. Randall Wright
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WUFT-TV and Radio

CPB will recover the CSG overpayments stemming from WUFT's misreported NFFS through an adjustment to its 2021 CSG award. Regarding the penalties, within 45 days of the date of this correspondence, WUFT must send a check in the amount of \$6,039 payable to CPB to the attention of 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 WUFT 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 its satisfaction.

Kind regards,



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

CC: VIA ELECTRONIC MAIL

Stephanie Gray, Director of Sponsored Research, University of Florida
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