March 21, 2017

VIA ELECTRONIC MAIL AND HARDCOPY TO FOLLOW

Mr. Roger LaMay
General Manager
WXPN-FM
University of Pennsylvania
3025 Walnut Street
Philadelphia, PA 19104-3402

RE: Audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) for the period July 1, 2013 through June 30, 2015 at the WXPN-FM radio station (WXPN) licensed to the Trustees at the University of Pennsylvania (Report No. ASR1606-1703).

Dear Mr. LaMay:

We are pleased that the captioned report found no discrepancies in WXPN’s compliance with the Communications Act, the expenditure of $1,011,594 in grant funds and with CPB’s Certification of Eligibility requirements. The report does, however, note unintentional errors in reporting non-federal financial support (NFFS), resulting in a potential CSG overpayment of $58,703. Considering the level of NFFS raised by your station and the range of topics covered by the audit, the overall results are not unfavorable.

The report recommends that CPB:
• recover the potential CSG overpayment of $58,703; and
• require WXPN to identify the corrective actions and controls it will implement to ensure future compliance.

With regard to the CSG overpayment, WXPN agreed in principle with the report except for the calculation of indirect administrative support. While we appreciate the information WXPN provided to us, we agree with the report’s recommendations and request that WXPN refund the CSG overpayments of $31,845 and $26,858, summarized below.

<table>
<thead>
<tr>
<th>Ineligible Sources</th>
<th>Overstated NFFS</th>
<th>Overpayment CSG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2014</td>
<td>FY 2015</td>
</tr>
<tr>
<td>Premiums</td>
<td>$519,903</td>
<td>$234,902</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>295,813</td>
<td>0</td>
</tr>
<tr>
<td>Federal Work Study</td>
<td>34,903</td>
<td>26,679</td>
</tr>
<tr>
<td>Special Fund Raising Expenses</td>
<td>20,434</td>
<td>0</td>
</tr>
<tr>
<td>Indirect Administrative Support</td>
<td>148,925</td>
<td>212,999</td>
</tr>
<tr>
<td>Total</td>
<td>$551,978</td>
<td>$474,580</td>
</tr>
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</table>
CPB Determination: CPB requires WXPN reduce NFFS reported on its 2016 annual financial report (AFR) by the overstated amount. We recognize that the adjustment may produce an over or under payment because the incentive rate of return changes from year to year. Accordingly, WXPN will be responsible for any shortfall in recovery and CPB will be responsible for returning any overpayment. In accordance with CPB’s CSG Non-compliance Policy, which imposes a ten percent penalty on the amount of any CSG overpayment, CPB is assessing a penalty of $5,870 against WXPN.

Action: WXPN must revise line 21 on Schedule A of its 2016 AFR (which we have not yet processed) to reflect a $1,026,448 reduction in NFFS and pay the penalty of $5,870 to CPB within 60 days of the date of this correspondence. CPB will release WXPN’s second 2017 CSG payment once these actions are completed. Please make the check payable to CPB and forward it to Nick Stromann, Vice President, Controller, Corporation for Public Broadcasting, 401 Ninth Street N.W., Washington, D.C. 20004-2129.

In response to the second finding, WXPN provided the Office of the Inspector General (OIG) with information about the new practices it has adopted for handling premiums and plans to claim indirect costs using the MTDC Base methodology in its correspondence dated January 10, 2017. The OIG considers this recommendation resolved and CPB accepts these corrective actions and considers this matter closed.

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. Failing that, CPB will consider these determinations final and WXPN will be required to comply with the actions set forth above. CPB reserves the right to take any other action deemed appropriate until these issues are resolved to CPB’s satisfaction.

We appreciate the work that the WXPN 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
Essperanza Flury, Assistant General Manager, Finance and Accounting, WXPN
Stuart Wilson, Associate Director, Office of Research Services, University of Pennsylvania
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
Erika Pulley-Hayes, Vice President, Radio, CPB
Greg Schnirring, Vice President, CSG and Station Initiatives, CPB
Nick Stromman, Vice President, Controller, CPB
Katherine Arno, Director, TV CSG Policy & Review, CPB
Andrew Charnik, Director, Radio CSG Policy & Administration, CPB
Nadine Feaster, Director, Grants Administration, CPB