

**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL**

**EXAMINATION OF
RADIO STATION KIWR-FM
IOWA WESTERN COMMUNITY COLLEGE
COUNCIL BLUFFS, IOWA
FISCAL YEARS 2008-2009**

REPORT NO. ASR1003-1101

January 20, 2011


**Kenneth A. Konz
Inspector General**

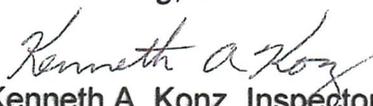


Corporation
for Public
Broadcasting

Office of Inspector General

Date: January 20, 2011

To: Bruce Theriault, Senior Vice President, Radio
Mark Erstling, Senior Vice President, System Development & Media Strategy

From: 
Kenneth A. Konz, Inspector General

Subject: Examination of Radio Station KIWR-FM, Iowa Western Community College,
Council Bluffs, Iowa, for Fiscal Years 2008-2009,
Report No. ASR1003-1101

We have completed the examination of the Corporation for Public Broadcasting (CPB) grants awarded to radio station KIWR-FM, Iowa Western Community College (IWCC) during the period October 1, 2007 – September 30, 2009. We initiated this examination in accordance with our Annual Plan to examine station compliance with CPB grant terms and conditions.

The objectives of this examination were to determine whether KIWR: a) claimed Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (the Act); and c) expended CPB grant funds in accordance with grant agreement requirements. Our scope and methodology is discussed in Exhibit A.

Based on our examination, we found material noncompliance with CPB grant requirements. KIWR did not:

- expend \$29,427 of CPB restricted funds (\$12,603 in FY 2008 and \$16,824 in FY 2009) for national programming, resulting in \$29,427 in questioned costs;
- maintain discrete accounting records to account for and report CPB CSG funds (receipts and expenditures), including tracking the use of restricted funds;
- correctly report FY 2009 restricted funds received on its 2009 AFR; and

- fully comply with the Communications Act requirements to provide adequate advance notice of open public meetings, make required financial records and Equal Employment Opportunity (EEO) reports available to the public, and implement policies addressing these requirements, as well as, donor list and political activities prohibitions.

KIWR officials annually certified its compliance with these requirements in applying for their CSG grants. Future entitlements may be jeopardized by continuing noncompliance.

In response to the draft report, KIWR management stated that going forward they will ensure that restricted grant expenditures meet CPB requirements and they respectively requested that CPB not require KIWR to return the \$29,427 restricted funds questioned from FY 2008 and 2009. They also stated that corrective actions were implemented to discretely account for CPB revenues and expenditures and that they are implementing operating procedures to properly comply with the Communications Act requirements. KIWR's written response to the draft report is attached in Exhibit E.

This report presents the conclusions of the OIG. The findings and recommendations presented in this report do not necessarily represent CPB's final position on these matters. CPB officials will make a final management decision on the recommendations in this report in accordance with established CPB audit resolution procedures.

In accordance with CPB audit resolution procedures, CPB management is responsible for determining the corrective actions to be taken. Based on KIWR's response to the draft report, we consider recommendations 1, 2, 4, and 5(a)–5(e) resolved, but open pending a final management decision by CPB on the recommendations. We consider recommendation 3 unresolved, pending a CPB management decision.

BACKGROUND

KIWR (89.7 FM) is a public radio station licensed to Iowa Western Community College (IWCC). Based in Council Bluffs, Iowa, the station serves the Omaha Metro area. The station has broadcast alternative rock music since January 1, 1996. Prior to that time, it played classical and jazz music.

KIWR also serves as a learning laboratory for students attending the media studies program at IWCC. Every night from 6 p.m. to 6 a.m. KIWR is staffed by students attending the Media Studies Program. Students take classes taught by radio professionals on exactly how the world of professional radio works. After completing their first semester, students who qualify are assigned an on-air shift, which is structured and operated like a corporate radio station.

KIWR's mission is to provide:

- access to unique quality programming for Southwest Iowa and Eastern Nebraska;
- educational opportunities for broadcasting students;
- ethical and successful business opportunities for local, regional and national enterprises; and
- liaison services between IWCC and the community.

KIWR's operations are funded by IWCC, the Corporation for Public Broadcasting, contributions received for underwriting, and membership dues. CPB made payments to KIWR totaling \$102,030 during FY 2008 and \$95,304 during FY 2009 in Community Service Grant (CSG) funds. These totals included \$28,405 in restricted funds in FY 2008 and \$24,884 in restricted funds in FY 2009. Restricted funds were to be spent on the production, acquisition, or distribution of national programming.

CPB's annual CSG awards can be spent over a 24 month period of time. CPB's FY 2008 award can be spent during the period October 1, 2007 through September 30, 2009. Since CPB annually awards new CSGs to stations, the FY 2008 grant's spending period overlapped the first year of the FY 2009 CSG grant period.

KIWR's fiscal year reporting period differs from CPB's fiscal year award period. KIWR's 2008 AFR covered the 12 month period ending June 30, 2008 and the 2009 AFR covered the 12 month period ending June 30, 2009.

CPB's CSG award amounts are determined by the NFFS reported by stations to CPB on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by the base grant, as well as, the distance and local service grant amounts. The funds that remain are called the Incentive Grant Pools, one is for television and the other is for radio. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total amount of NFFS claimed by all television and radio stations. The IRR is then multiplied by a station's reported NFFS to calculate the incentive award amount of the station's total CSG. There is a two year lag between the reported NFFS and CPB's calculation of the fiscal year's CSG award amount. CPB used the NFFS claimed on KIWR's FY 2006 AFR to determine the amount of its FY 2008 CSG award.

KIWR reported total revenues of \$712,709 in FY 2008 and \$697,458 in FY 2009, per Exhibit B. KIWR reported total NFFS of \$633,594 in FY 2008 and \$679,272 in FY 2009, per Exhibit C.

RESULTS OF REVIEW

We examined KIWR's management's assertions of compliance with CPB's CSG grant agreement terms, Non-Federal Financial Support reporting requirements, Certification of

Eligibility requirements, and Communication Act requirements for the periods ending December 31, 2008 and 2009. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation engagements and, accordingly, included examining, on a test basis, evidence about KIWR's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on KIWR's compliance with specified requirements.

Our examination disclosed the following material noncompliance issues with CPB's CSG grant agreement terms, Certification of Eligibility requirements, and Communications Act requirements applicable to the periods ending September 30, 2008 and September 30, 2009.

- \$29,427 of restricted funds were not expended for national programming, \$12,603 in FY 2008 and \$16,824 in FY 09, resulting in \$29,427 in questioned costs;
- discrete accounting records were not maintained to account for and report CPB CSG funds (receipts and expenditures), including tracking the use of restricted funds;
- FY 2009 restricted funds were not correctly reported on its 2009 AFR; and
- Communications Act requirements were not fully complied with for open public meetings, financial and EEO records made available to the public, and written policies were not established for these requirements, as well as, the donor list and political activities prohibitions.

In our opinion, because of the effect of the noncompliance described above, KIWR has not complied with the aforementioned requirements for the periods ended September 30, 2008 and 2009.

FINDINGS AND RECOMMENDATIONS

Discrete Accounting Needed to Document the Use of CSG Funds

KIWR's accounting system did not separately identify the use of CSG funds in accordance with CPB grant terms. CPB funds and expenses were comingled with other station revenue and expenses.

CPB's General Provisions and Eligibility Criteria for Radio CSGs, Section 10.B. Record Keeping and Audit Requirements, require stations to provide discrete accounting and

proper documentation to support all CSG revenues and expenditures. Further, CPB's Radio, CSG, Section 3. Use of Grant Funds – Purpose and Restrictions, provides guidance on the use of the discretionary portion of the CSG on seven different cost categories:

- Programming, Production, and Services
- Broadcasting, Transmission, and Distribution
- Program Information and Promotion
- Fundraising and Membership Development
- Underwriting and Grant Solicitation
- Management and General
- Purchase, Rehabilitation, or Improvement of Capital Assets

Our review found that separate CPB revenue accounts were not established in the general ledger to record the use of CPB funds. CPB funds and expenses were comingled with other station revenue and expenses. We had to rely on station management to identify expenses charged to the CSG grant. We were told by station officials that they fully expended CSG grant funds the year they were received.

Additionally, we identified that KIWR inaccurately reported its FY 2009 CSG funds received on the AFR. While the total CPB funds received of \$95,304 was accurate, the split of funds between CSG unrestricted and restricted funds was not accurate. KIWR reported \$69,095 in unrestricted funds versus the actual unrestricted funds of \$70,420. Likewise restricted funds were reported as \$26,209 instead of \$24,884. Further, the restricted CSG funds received were incorrectly reported as digital funds on the 2009 AFR.

This finding was discussed with KIWR management. They said that they were not aware of the separate accounting requirements for CPB grant funds. They acknowledged that their accounting system did not provide discrete accounting of CPB grant expenditures and understood the need for better accountability. They agreed to add a general ledger object code or account to separately track CPB revenues and expenditures to provide an adequate audit trail in the future.

Recommendations

We recommend that CPB take the following actions to require KIWR to:

- 1) Establish discrete accounting for CPB grant funds, to separately track CPB revenues and match to expenditures to provide an adequate audit trail of the use of CPB grant funds.
- 2) Establish controls over its AFR preparation process to ensure the accuracy of the financial information reported to CPB.

Management Response

In response to these recommendations, KIWR officials provided the following responses.

Recommendation 1: KIWR officials stated that the IWCC accounting department has established a discrete accounting process for the CPB CSG funds. In Iowa Western's general ledger accounting code structure, the college had established a location code – "CP" – which will be used to record and account for the receipt and expenditure of CPB CSG funds.

Recommendation 2: KIWR officials stated that IWCC utilized the incorrect percentage (27.5% versus 26%) to calculate restricted CSG funds in the preparation of its 2009 AFR. Iowa Western staff did not realize this percentage could change each fiscal year when it made its calculation. When preparing the 2010 AFR and in future years Iowa Western will utilize the correct percentage established for that fiscal year.

OIG Review and Comment

Based on KIWR's response, we consider recommendations (1) and (2) resolved but open pending CPB's final decision to accept KIWR's corrective actions. We also recommend that CPB obtain a copy of KIWR's FY 2011 location code accounting report transaction detail demonstrating discrete accounting over CPB receipts and expenditures.

Use of Restricted Radio CSG Grant

Our review of KIWR's expenditures for FY 2008 and FY 2009 identified that KIWR did not comply with CPB restricted funding requirements to fully use \$28,405 and \$24,884 of restricted radio funds to acquire national programming. As a result, we questioned \$29,427 in restricted funds.

FY 2008 and FY 2009 Radio Community Service Grant (CSG), General Provisions & Eligibility Criteria, Section 3., A., 2., Restricted Portion of the CSG, states:

This portion of the CSG must be used exclusively for the acquisition, production, promotion, and/or distribution of national programming of high quality... To qualify as a national program for funding from CSG funds, a program must be placed in the national marketplace of public radio programming... Expenditures from the restricted portion of the CSG must fall in four categories: Production, Program and Content Acquisition, Distribution and Promotion . . .

KIWR's accounting system did not separately identify CPB CSG restricted funds. Therefore, we could not independently verify that CPB restricted funds were expended on national program production or acquisition. As a result, we had to rely on the station management to identify and provide invoices that met restricted requirements of the grant. Based on our review of 100% of the invoices provided, only \$15,802 in FY 2008 and \$8,060 in FY 2009 qualified as expenses for restricted purposes. As a result, we questioned a total of \$29,427 in restricted fund expenditures (\$12,603 in FY 2008 and \$16,824 in FY 2009), per Exhibit D.

Discussions with station management disclosed that they were not aware of the restricted requirement of the grant and comingled these funds with other station revenues and expenses. As a result, they did not establish any controls to ensure these funds were expended on national programming. In response to this finding, they said they would immediately add a code to the general ledger to separately track the restricted portion of the grant. By not expending these funds on national programming the community did not benefit from the national programming.

Recommendations

We recommend that CPB take the following actions:

- 3) Recover \$29,427 restricted funding that was not used to pay for the acquisition, production, promotion or distribution of national programming.
- 4) Require KIWR to establish appropriate controls to account for restricted funds and ensure they are expended on qualified national programming.

Management Response

In response to these recommendations, KIWR officials provided the following responses.

Recommendation 3: KIWR officials stated that going forward they will verify with CPB staff prior to the end of the grant period that certain expenses, which in total meet the restricted portion of the CSG funds, qualify for national programming. This will avoid future confusion and/or concern regarding allowable restricted expenditures. They also respectfully request that CPB not require IWCC/KIWR to return restricted funds in question from FY 2008 and FY 2009.

Recommendation 4: KIWR officials stated that as mentioned above, IWCC has created a location code within its general ledger account structure to separate and identify the receipt and expenditure of CPB CSG funds. In addition, a separate Excel spreadsheet will be maintained to track the restricted portion of the CSG funds received and expended each year.

OIG Review and Comment

Based on KIWR's response, we consider recommendation (3) open pending CPB's decision on the questioned costs of \$29,427 and recommendation (4) resolved but open pending CPB's final decision to accept KIWR's corrective actions.

Compliance with the Communications Act Requirements

Our examination found that KIWR did not fully comply with CPB's requirements for open meetings, open financial records, EEO, and donor lists and political activities requirements.

Additionally, KIWR did not have written policies indicating its compliance with these four CPB's requirements. Discussions with station officials disclosed they were not fully aware of these requirements. The station's lack of compliance with these requirements deprived the public of the required information envisioned by the Act. This information provides transparency, as well as, informs the public about how the station operates.

Open Public Meetings

Review of available documentation and interviews of station employees disclosed that the KIWR did not fully comply with CPB's open meeting requirements, as follows:

- Provide seven days advance notice of public meetings of the IWCC Board of Directors. IWCC follows the state policy which did not meet CPB requirements.
- Provide quarterly on-air announcements on at least three consecutive days of the station's open meeting policy and how the public can obtain information on the dates, times, and location of upcoming Board meetings.
- Document operating policies for complying with CPB's open meeting requirements.

Title 47 U.S.C. Section 396(k)(4) of the Act, prohibits the distribution of federally appropriated funds to the licensee of a public broadcasting station unless the governing body of the organization, any committees of such governing body, or any advisory body of any such organization holds open meetings preceded by reasonable notice to the public.

The minimum compliance for "reasonable notice" to the public as stated in CPB's explanation of the Act's requirements includes the following requirements:

1. Notice is placed in the "Legal Notices" or the radio and television schedules section of a local newspaper in general circulation in the station's coverage area; or, notice is available through a recorded announcement that is accessible on the station's phone system; or, notice is given through an announcement that is accessible on the station's web page; and
2. Notice be communicated by letter, e-mail, fax, phone, or in person to any individuals who have specifically requested that they be notified; and
3. The station makes on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meeting policy and provide information about how the public can obtain information regarding specific dates, times, and locations.

Our examination found that although advance notice for meetings of the Board of Directors was provided; notice was not given seven days in advance. KIWR as a department of

WICC notifies the public of board meetings at least 24 hours prior to the commencement of a board meeting. Although this notification met the state's requirements it does not satisfy CPB's requirements. Further, the station had not documented policies for addressing CPB's advance notice requirements.

Financial and EEO Reports Not Available for Public Inspection

Our review found that KIWR did not have the required financial records and EEO statistical information readily available at the station for public review, as required by the CPB guidelines. KIWR management stated that audited financial statements and AFRs were available upon request. The station did have the Federal Communication Commission's (FCC) EEO report available in their public file. However, the FCC EEO report did not present the information in the format requested by CPB. Station officials indicated that they could print copies of these documents when requested by the public. Further, the station had not established or documented operating policies for complying with CPB's Open Financial records and EEO requirements.

Station officials told us they were unaware that copies of the audited financial statements, AFRs and EEO statistics prepared for CPB needed to be available for public review.

§ 396(k)(5) of the Act provides that funds may not be distributed to any public telecommunications entity that does not maintain for public examination the required financial reports. CPB addresses this requirement in its minimum compliance requirements by stating that the following documents must be made available for public inspection:

- a) Annual Financial Report (AFR) filed with CPB;
- b) Audited financial statements, and
- c) Information regarding finances submitted to CPB related to any funding agreement with CPB that requires a financial report.

Further, § 396(k) (11) of the Act established that funds may not be distributed to any public broadcast station, unless the annual EEO statistical report submitted to CPB is available to the public at the central office and at any location where more than five full-time employees are regularly assigned to work.

Donor List & Political Activities

Review of available documentation and interviews of station officials disclosed that the station did not fully comply with CPB donor list and political activities requirements.

- Station officials stated that their operating practice was not to sell their donor lists; however, this was not documented or communicated to its membership.

- There was no documented operating policy for complying with CPB's donor lists security requirements and political activities prohibitions.

Title 47 U.S.C. Section 396(k)(12) of the Act, prohibits the distribution of federally appropriated funds to the licensee of a public broadcasting station that rents or exchanges contributor or donor names with any Federal, State, or local candidate, political party or political committee or discloses this information to any nonaffiliated third party unless the station clearly and conspicuously state that this information may be disclosed and the contributor is given the opportunity to direct the station not to disclose their personal information to a third party.

Interviews with station officials and review of the public files demonstrated that KIWR prohibited giving any information from its donor list to any person or organization involved in politics. However our review disclosed that KIWR did not have a formal written and approved policy documenting how they intended to comply with this requirement.

Subsequent to our fieldwork on June 25, 2010, KIWR implemented KIWR'S Policy on Donor Lists. Review of the KIWR policy found that it did describe CPB's requirements for handling and securing donor and membership lists.

Recommendations

We recommend that CPB management take the following actions:

- 5) Require KIWR management to fully comply with all requirements of the Communications Act and provide documentation to CPB of their compliance with the following specific requirements over the next fiscal year.
 - a) Provide adequate advance notice of public meetings of the Board of Directors;
 - b) Make on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meeting policy;
 - c) Maintain copies of required financial and EEO reports at the station for public inspection; and
 - d) Establish written operating policies documenting their compliance with CPB's Open Meetings, Open Financial records, and EEO requirements.
 - e) Provide CPB with its newly implemented Donor List and Political Activities policy for its review and approval.

Management Response

In response to these recommendations, KIWR officials provided the following responses.

Recommendation 5a: KIWR officials stated that they will provide adequate advance notice of public meetings of the IWCC Board of Directors when the Board of Directors is scheduled to take board action with regard to KIWR management and operations issues.

Recommendation 5b: KIWR officials stated that they already established a quarterly schedule for on air announcements over a three consecutive day period that explains the station's open meeting policy. KIWR will be able to document these on air announcements through records associated with public service announcements.

Recommendation 5c: KIWR officials stated that they will maintain copies of required financial and EEO reports at the station for public inspection. In addition, management has already taken steps to compile paper copies of the EEO/financial reports and have them on file with the receptionist of the station for inspection by the public upon request. In addition, management has established a link on the KIWR public web site that makes PDF copies of these reports available to the general public.

Recommendation 5d: KIWR officials stated that they will modify their written operating policies and procedures in order that management can document their compliance with CPB open meetings, open financial records, and EEO requirements.

Recommendation 5e: KIWR officials stated that a donor list and political prohibitions policy that complies with Section 396(k)(12) of the Communications Act has already been implemented. It was reviewed by the audit team, and the audit team found that it complies with CPB requirements for handling and securing donor and membership lists.

OIG Review and Comment

Based on KIWR's response, we consider recommendations 5a, 5b, 5c, 5d and 5e resolved but open pending CPB's final decision to accept KIWR's corrective actions.

Scope and Methodology

We performed an examination to determine KIWR's compliance with requirements of the CPB Financial Reporting Guidelines; Certification of Eligibility requirements and statutory provisions of the Communications Act; and CPB grant agreement requirements. The scope of the examination included reviews and tests of the data reported by the station on the AFRs and audited financial statements for FYs ending June 30, 2008, and 2009. We examined KIWR's compliance with the Act and Certification Requirements for CPB station grant recipients. We examined expenses paid from the Community Service Grants to determine if they were allowable in accordance with the terms and conditions of the grants.

We judgmentally selected a sample of underwriting transactions, 9% (\$27,181) for FY 2009 and 15% (\$35,475) for FY 2008. We reviewed 100% of restricted radio expenses, because the general ledger did not have a restricted account, these invoices were identified by KIWR management. We reviewed a random sample of non-payroll disbursements, 12 for FY 2008 totaling \$24,270 and 7 for FY 2009 totaling \$23,451. We reviewed supporting documentation for underwriting agreements, grant agreements, vendor invoices, and other documentation supporting revenues and expenditures tested.

We also reviewed records and documents supporting the station's compliance with the Act requirements to provide advance notice of public meetings of the Board of Directors, financial and EEO information made available to the public, and documents supporting compliance with donor lists and political activities prohibitions. Our procedures included interviewing station officials, an accounting consultant, and the station's independent public accountant.

We gained an understanding of the internal controls over the preparation of the AFRs, cash receipts, and cash disbursements. We also gained an understanding of KIWR's policies and procedures for compliance with certification of eligibility requirements, Communications Act, and CPB grant agreement terms for allowable costs. Our understanding of the internal control environment and specific control techniques were used in assessing risks to plan the nature and extent of our testing to conclude on our objectives. We also tested the effectiveness of controls over payment authorizations.

Our fieldwork at the station was performed during June 2010. Our examination was performed in accordance with the *Government Auditing Standards, July 2007 Revision*, for attestation examinations.

RADIO STATION KIWR-FM
Calendar Year FY 2008 and FY 2009
AFR Sources of Income

Line	Description	FY 2008	FY 2009
	Schedule A, Source of Income:		
1.	Amounts provided directly by federal government	\$0	\$0
2.A.	CPB-CSG	73,625	69,095
2.B	CPB – Digital Projects Grant ¹	0	26,209
2.C.	CPB-Restricted CSG	28,405	0
8.	Foundation and nonprofit associations	62,724	14,600
9.	Business and Industry	469,502	496,520
11.	Friends groups	76,380	89,994
15.	Passive income	2,073	1,040
20.	Other Direct Revenue	0	0
21.	Total Revenue	\$712,709	\$697,458
	Adjustments to Revenue		
22.	Federal revenue	\$0	\$0
23.	Public broadcasting revenue	102,030	95,304
25.	Other revenue on line 21	229,366	196,524
	Total Direct Nonfederal Financial Support	\$381,313	\$405,630
	Schedule B, Indirect Administrative:		
5.	Total Indirect Administrative Support	\$233,301	\$267,797
	Schedule C, Services and Other Assets:		
4.	Total In-kind Contributions Eligible as NFFS	\$18,980	\$5,845
	Schedule E, Expenses:		
	Program Services		
1.	Programming and production	\$244,451	\$182,951
2.	Broadcasting and engineering	259,014	287,699
3.	Program information and promotion	60,858	71,679
	Support Services		
4.	Management and general	160,131	176,307
5.	Fund raising and membership development	11,382	9,107
6.	Underwriting and grant solicitation	195,636	205,176
7.	Depreciation and amortization	25,811	25,811
	Total Expenses	\$957,283	\$958,730

¹ FY 2009 restricted portion of the grant was incorrectly reported as digital funds on the AFR.

RADIO STATION KIWR-FM
Summary of Non-Federal Financial Support
Certification by Head of Grantee and Independent Accountant's Report

Description	2008	2009
Direct Revenue (Schedule A)	\$381,313	\$405,630
Indirect Administrative (Schedule B)	233,301	267,797
In-kind Contributions	0	0
Services and Other Assets (Schedule C)	18,980	5,845
Property and Equipment (Schedule D)	0	0
Total Non-Federal Financial Support	\$633,594	\$679,272

**RADIO STATION KIWR-FM
Restricted Funds Questioned Costs
FY 2008 & FY2009**

Vendor	Invoice Date	Questioned Restricted Costs	Purpose of Expense
<i>FY 2008:</i>			
Vendor A	4/1/2008	\$354	Quarterly Darts Support
Vendor B	3/24/2008	\$1,450	Programming
Vendor C	1/30/2008	\$600	Membership
Vendor A	1/1/2008	\$354	Quarterly Darts Support
Vendor B	11/30/2007	\$2,135	Programming
Sub-Total		\$4,893	
Unspent Restricted Funds		\$7,710	Lack of Documentation
Total FY 2008 Questioned Cost		\$12,603	
<i>FY 2009</i>			
Vendor D	8/6/2008	\$1,425	Programming
Vendor B	11/8/2008	\$2,240	Programming
Vendor B	8/22/2008	\$1,520	Programming
Sub-Total		\$5,185	
Unspent Restricted Funds		\$11,639	Lack of Documentation
Total FY 2009 Questioned Cost		\$16,824	
Total Questioned Costs		\$29,427	



Exhibit E

2700 College Road, Box 4-C
Council Bluffs, IA 51502-3004
(712) 325-3200 • 1-800-432-5852

December 8, 2010

William J Richardson, III
Deputy Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

RE: IWCC Response
Examination of Iowa Western Community College/KIWR-FM, Council Bluffs,
Iowa for Fiscal Years 2008-2009, Report No. ASR1003-XXX

Dear Mr. Richardson:

Please consider this correspondence Iowa Western/KIWR FM's official response to the findings and recommendations outlined in your letter dated November 10, 2010. During your examination of KIWR's operation the following findings were identified by the audit team:

- \$29,428 of restricted funds were not expended for national programming, \$12,603 in FY08 and \$16,824 in FY09, resulting in \$29,428 in questions costs;
- Maintain discrete accounting records to account for and report CPB CSG funds (receipts and expenditure), including tracking the use of restricted funds;
- Correctly report FY09 restricted funds received on its 2009 AFR; and
- The Communications ACT was not fully complied with for open public meetings, open financial records, records made available to the public on Equal Employment Opportunity and the donor list and political activities prohibitions.

The balance of this letter will be Iowa Western/KIWR's response to the individual findings listed above.

Discrete Accounting Needed to Document the Use of CSG Funds

1. The IWCC accounting department has established a discrete accounting process for the CPB CSG funds. In Iowa Western's general ledger accounting code structure, the college had established a location code – "CP" – which will be used to record and account for the receipt and expenditure of CPB CSG funds.

Cass County Center
705 Walnut Street
Atlantic, IA 50022
(712) 243-5527

Clarinda Campus
923 East Washington
Clarinda, IA 51632
(712) 542-5117

Page/Fremont County Center
1001 West Sheridan Avenue
Shenandoah, IA 51601
(712) 246-1499

Shelby County Center
1901 Hawkeye Suite #102
Harlan, Iowa 51537
(712) 755-3568

2. As part of the audit team findings, IWCC utilized the incorrect percentage (27.5% versus 26%) to calculate restricted CSG funds in the preparation of its 2009 AFR. Iowa Western staff did not realize this percentage could change each fiscal year when it made its calculation. When preparing the 2010 AFR and in future years Iowa Western will utilize the correct percentage established for that fiscal year.

Use of Restricted CSG Funds

1. The audit team recommended that CPB should recover \$29,428 of restricted funding that was not utilized by KIWR for the acquisition, production, promotion, or distribution of national programming. In response, going forward Iowa Western will verify with CPB staff prior to the end of the grant period that certain expenses, which in total meet the restricted portion of the CSG funds, qualify for national programming. This will avoid future confusion and/or concern regarding allowable restricted expenditures. Iowa Western would respectively request that CPB not require IWCC/KIWR to return restricted funds in question from FY08 and FY09.
2. As mentioned above, IWCC has created a location code within its general ledger account structure to separate and identify the receipt and expenditure of CPB CSG funds. In addition, a separate Excel spreadsheet will be maintained to track the restricted portion of the CSG funds received and expended each year.

Compliance with the Communications Act Requirements

1. CPB requires that IWCC/KIWR management fully comply with all requirements of the Communications Act. IWCC/KIWR agrees to comply with the Communication Act and provide documentation to CPB of our compliance in the following specific areas:
 - A. IWCC/KIWR will provide adequate advance notice of public meetings of the IWCC Board of Directors when the Board of Directors are scheduled to take board action with regard to KIWR management and operations issues.
 - B. KIWR has already established a quarterly schedule for on air announcements over a three consecutive day period that explains the station's open meeting policy. KIWR will be able to document these on air announcements through records associated with public service announcements.
 - C. IWCC/KIWR will maintain copies of required financial and EEO reports at the station for public inspection. The management has already taken steps to compile paper copies of the EEO financial reports and have them on file with the receptionist of the station for inspection by the public upon request. In addition, management has established a link on the KIWR public web site that makes PDF copies of these reports available to the general public.

Exhibit E

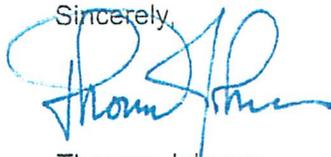
- D. IWCC/KIWR will modify its written operating policies and procedures in order that management can document their compliance with CPB open meetings, open financial records, and EEO requirements.

- E. Finally CPB recommended that IWCC/KIWR implement a donor list and political prohibitions policy that complies with Section 396(k)(12) of the Communications Act. Management has already implemented this policy. It was reviewed by the audit team, and the audit team found that it complies with CPB requirements for handling and securing donor and membership lists.

With IWCC/KIWR's response to the aforementioned management believes that it has addressed the concerns and findings identified by the audit team. It is IWCC/KIWR's intention to fully comply with CPB regulations at all items. If your office or the audit team do not believe that IWCC/KIWR's responses above fully address the findings and recommendations of the audit, please notify my office with any questions and/or concerns.

On behalf of IWCC's Board of Directors and President Dr. Dan Kinney, I would like to take this opportunity to express its appreciation for CPB's continued support of KIWR 89.7 The River. We believe that IWCC provides a valuable service to the listening public in southwest Iowa and this service would not be possible without the continued support of the Corporation for Public Broadcasting.

Sincerely,



Thomas Johnson
Vice President of Finance and Operations