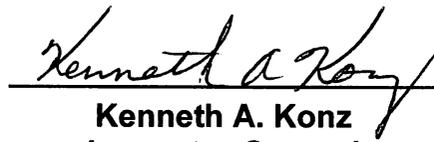


**CORPORATION FOR PUBLIC BROADCASTING**  
**OFFICE OF INSPECTOR GENERAL**

**EXAMINATION OF**  
**GEORGIA PUBLIC BROADCASTING**  
**CPB GRANTS FOR THE PERIOD**  
**JULY 1, 2008 – JUNE 30, 2009**

**REPORT NO. ASJ1101-1108**

**September 30, 2011**

  
**Kenneth A. Konz**  
**Inspector General**

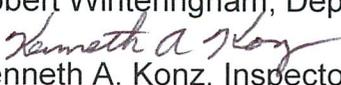


Corporation  
for Public  
Broadcasting

Office of Inspector General

Date: September 30, 2011

To: Robert Winteringham, Deputy General Counsel

From:   
Kenneth A. Konz, Inspector General

Subject: Examination of Georgia Public Broadcasting CPB Grants for the  
Period July 1, 2008 – June 30, 2009, Report No. ASJ1101-1108

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service Grant (CSG), Interconnection, Distance Service, Digital Distribution Fund (DDF) and other grants awarded to Georgia Public Broadcasting (GPB) for the above referenced period.

The objectives of the examination were to determine whether GPB: a) claimed Non-Federal Financial Support (NFFS) on its 2009 Annual Financial Report (AFR) in accordance with Corporation for Public Broadcasting (CPB) Financial Reporting Guidelines; b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act); and c) expended CSG, DDF and other grant funds in accordance with CPB grant requirements. Our scope and methodology is discussed in Exhibit K.

Based upon our examination, we found noncompliance with CPB requirements, as follows:

- lack of documentation supporting NFFS in-kind contributions totaling \$833,891, resulting in a CPB overpayment of \$54,203 in FY 2011 CSG payments;
- the lack of discrete accounting for CSG expenditures;
- AFRs did not accurately report the total revenues and expenditures as reported in the audited financial statements, GPB excluded the capital projects and non-major government fund activities from the AFR, which excluded reporting CPB digital fund revenues and expenses;
- noncompliance with Act requirements for open meetings; and
- noncompliance with CPB requirements for establishing written procedures for complying with open meetings, open financial records, equal employment opportunity (EEO), and donor lists and political activities requirements.

In response to the draft report, GPB officials disagreed with the findings on in-kind contributions and AFR reporting for capital projects. They agreed with the discrete accounting and Communications Act findings and have implemented corrective actions to discretely account for CPB grant expenditures and comply with Communication Act requirements. GPB's written response to the draft report is presented in Exhibit L.

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

In accordance with CPB audit resolution procedures, CPB management is responsible for determining the corrective actions to be taken. Based on GPB's response to the draft report, we consider recommendations 1c, 2, 4a, and 4b resolved but open pending CPB's acceptance of GPB's corrective actions. We consider recommendations 1a, 1b, and 3 unresolved, pending CPB's management decision.

## **BACKGROUND**

In 1982 the Georgia state legislature transferred authority for the state public TV and radio stations to the Georgia Public Telecommunications Commission (GPTC), the oversight board for GPB. GPB's public television stations deliver PBS and locally produced programming to every county in Georgia, and to significant portions of surrounding states. GPB is the public radio network serving Georgia with NPR news and information along with a variety of music. GPB also delivers Georgia's electronic education services to classrooms using multiple media educational products and services.

GPB has one television licensee and three radio licensees (WUGA-FM, WJSP-FM, and WSVH-FM). GPB annually files separate AFRs to CPB for each licensee. In addition, GPB has 14 other television transmitters/translators and 18 other radio transmitters/translators that are not required to file a separate AFR with CPB. These are included in the TV AFR and the three radio AFR's filed annually with CPB.

As background, CSG award amounts are determined by the NFFS reported by stations on its AFR. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by the base grant, 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 in the

system. The IRR is then multiplied by the 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 GPB's FY 2009 AFR to determine the amount of its FY 2011 CSG award to GPB.

GPB's FY 2009 TV CSG was \$2,463,391. GPB's FY 2009 Radio CSG totaled \$546,023 for its three radio licensees. The radio grants included \$403,455 in unrestricted funds and \$142,568 in restricted funds. The restricted funds were to be spent on the production, acquisition, or distribution of national programming. The FY 2009 CSG funds could be spent over the two year period from October 1, 2008 to September 30, 2010.

CPB's cash payments to GPB for the FY 2009 TV and Radio CSGs, Distance Service, Interconnection grants and Digital Service grants are identified in Exhibit A. GPB's FY 2009 AFR reported total revenues of \$22,844,741 for the television licensee and \$4,273,885 for the three radio licensees (Exhibits B-E). GPB reported its NFFS for each of the licensees in Exhibits F-I.

GPB's 2009 AFRs covered the State of Georgia's FY 2009 financial period from July 1, 2008 through June 30, 2009. GPTC's audited financial statements for this period reported total revenues of \$37,546,985 and expenditures of \$39,358,669. These financials includes a general fund, capital projects fund and non-major governmental fund.

## **RESULTS OF REVIEW**

We examined GPB management's assertions of compliance with CPB's CSG agreement terms, Financial Reporting Guidelines, Certification of Eligibility requirements, Act requirements, and Non-Federal Financial Support (NFFS) for FY 2009. We also examined GPB's CSG and DDF revenue and expenses. Management is responsible for GPB's compliance with CPB's 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 of GPB's compliance with those requirements and performing such other procedures as we considered necessary. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following issues of noncompliance with CPB's CSG grant agreement requirements, NFFS financial reporting requirements, Certification of Eligibility requirements, and Act requirements.

- In-kind contributions of \$833,891 were claimed as NFFS without adequate supporting documentation to verify its allowability as public broadcasting activities. As a result, CPB overpaid GPB \$54,203 on its FY 2011 CSG awards to two radio stations. For reporting purposes we have classified this amount as funds put to better use.
- GPB's accounting system did not provide discrete accounting of CSG grant transactions that linked expenditures to revenues by grant, in accordance with CPB grant agreement terms.
- AFRs did not accurately report total revenues and expenditures as reported in the audited financial statements. GPB excluded the capital projects and non-major government fund activities of \$10,430,752 from the AFR, which excluded reporting CPB digital fund revenues of \$800,651 and related expenses.
- GPB was not in full compliance with the statutory provisions of the Act and CPB requirements for conducting open meetings of its Board of Directors (Board).
- GPB was not in compliance with CPB requirements for establishing operating procedures explaining how it complied with four requirements of the Act for open meetings, financial records, EEO, and donor lists and political activities.

In our opinion, except for the noncompliance issues discussed in the preceding paragraph, GPB has complied with CPB's Financial Reporting Guidelines, Certification Requirements for Station Grants Recipients, and CSG General Provisions & Eligibility Criteria for the 12 month period ending June 30, 2009.

## **FINDINGS AND RECOMMENDATIONS**

### **In-Kind Contributions Claimed as NFFS without Adequate Supporting Documentation**

In-kind contributions of \$833,891 were claimed as NFFS on Schedule C, without adequate supporting documentation to verify its allowability as public broadcasting activities. As a result CPB overpaid GPB \$54,203 in its FY 2011 CSG awards to WUGA-FM and WJSP-FM. For reporting purposes we have classified the \$54,203 as funds put to better use. The unsupported \$833,891 represents 21 percent of the total NFFS of \$4,037,117 reported on the AFRs for WJSP-FM and WUGA-FM (Exhibits G & H).

CPB's *Financial Reporting Guidelines for Preparing the Annual Financial Report (AFR) and Financial Summary Report (FSR), Grantees' Fiscal Year 2009*, Section 5.6: completing AFR Schedule C, In-Kind Contributions of Services and Other Assets, states:

## **Documentation:**

GAAP also requires that documentation of contributed goods and services must support the determination of fair value. Sufficient evidence must be retained by the grantee and be available for audit purposes. An invoice or letter from the donor is an example of such documentation. Donors must independently document their contributions as to description, date of donation(s), fair value and method of valuation. In addition, all documentation must clearly show the donor's intent to contribute; and must be provided by the donor using their official business stationery that prominently displays their name, address and other relevant information, including the donor's signature or the signature of an authorized official or the donor.... The grantee must retain all documentation and provide it if requested by CPB.

## **Line Item Instructions**

### **Line 2 – General Operational Services (eligible as NFFS)**

A grantee may claim as NFFS contributions of materials, supplies, and the use of facilities in which the donor retains legal title to the facilities. This category includes the use of electrical, telephone and other utilities paid by a third party. These contributions must be recognized as revenue and expenses in the period received and used.

Donations of space or land for towers or other facilities must be valued by the donor at fair value. This is determined by comparing the quality and quantity of the station's space to comparable space for which the donor charges a fee. If the donor does not rent comparable space, an independent appraisal must be done by a qualified appraiser...

Based on our review of donor agreements and related donor letters, we could not verify that the in-kind activities claimed were eligible as NFFS. The information reported by the donors, as shown on Exhibit J, did not provide sufficient documentation to determine whether these transactions represented legitimate public broadcasting in-kind contributions. Additionally, we could not determine if acceptable methods were used by donors to establish the fair value of these contributions. Audit follow-up work identified the basis used by the donors to claim facility charges for the institutions, but not the other charges for salaries, supplies, maintenance, etc.

Further, we found no evidence that GPB requested additional evidence from the donors on the methods used to establish the fair value of its in-kind contributions. If such actions had been performed, GPB could have determined whether the contributions qualified to be reported as NFFS.

CPB's Financial Reporting Guidelines instruct stations that donor documentation should provide specific information that would permit stations to evaluate the donor documentation and determine, based on the facts and circumstances, whether the contributions meets the requirements established by CPB when reporting its NFFS. Because GPB did not request additional supporting documentation, they could not determine if the in-kind contributions claimed as NFFS were properly valued and were used solely for public broadcasting purposes, as required by CPB.

We reviewed 100 percent of the in-kind contributions WJSP-FM and WUGA-FM received from four universities and two colleges. We were provided agreements with three universities and one college, as well as, letters from the six institutions specifying the dollar amounts of services contributed and the nature of the services provided. In-kind services included salaries and fringe benefits, supplies, facilities, utilities, maintenance, and custodial services.

GPB was unable to locate agreements for two of the universities. Letters from all the institutions documented the dollar amounts contributed, but did not document their method of valuation. Our review of the remaining four agreements raised questions whether all the funds reported as in-kind were eligible as NFFS. To illustrate, our review of the agreements found:

- The undated Cooperative Agreement between GPTC and the Board of Regents of the University System of Georgia on behalf of the University of Georgia's Center for Continuing Education described the construction and operations of the radio station in Athens, Georgia. The agreement further described how the station would be constructed with federal funds from the Department of Commerce and the Kellogg Foundation. The Department of Commerce awarded GPTC a Public Telecommunication Facilities Program grant to construct the station. The use of federal funds in constructing the station raises questions whether the in-kind facilities charges claimed from WUGA were exclusive of the federal funds contributed to pay for the original construction.
- The unsigned 2007 Cooperative Agreement between GPTC and Mercer University described how Mercer University would provide studio space on campus and in conjunction with the Broadcast Journalism Department of the University to create learning opportunities for students in broadcast journalism. The non-public broadcasting activities related to the Journalism Department raised questions whether the in-kind contributions for utilities, maintenance, and custodial services provided were solely used for public broadcasting purposes.
- The Memorandum of Understanding, dated July 19, 2006 between GPB and Piedmont College described the operations of the GPB Radio Bureau Chief at Piedmont College. The agreement described the position as a

shared employment arrangement and that the primary function of the position was to teach students in the area of broadcast communications and to create on-air quality content for GPB radio. The non-public broadcasting activities related to teaching students raised questions whether the in-kind contributions for supplies and facilities were solely used for public broadcasting purposes.

- The fourth agreement was a partially signed Memorandum of Agreement, for the year ending June 30, 2011, between GPTC and The Board of Regents of the University System of Georgia. The agreement was to provide 1,478 square feet of office space for use by WACG-FM, at Augusta State University. The agreement stated “in consideration for providing this space, the Tenant agrees to pay the Landlord the sum of one dollar (\$1.00) per year.” Augusta University claimed in-kind contributions for this facility totaling \$7,656 during 2009. Based on the 2011 agreement provided by GPB, they should have evaluated whether Augusta State University’s claim for in-kind services in 2009 was appropriate.

Further, we found that three of the universities claimed salaries and benefits for its employees totaling \$382,782. CPB’s *Financial Reporting Guidelines* state that grantee’s may claim in-kind contributions for general operational services for materials, supplies, and the use of facilities. The guidelines do not specify that donors’ salaries and benefits are eligible as NFFS.

As a result, we are questioning the eligibility of all the in-kind contributions claimed totaling \$833,891 for lack of adequate documentation. This over-reporting of 2009 NFFS resulted in an over-payment of \$54,203 in the FY 2011 CSG award to GPB. For reporting purposes, we have classified these payments as funds put to better use.

### **Recommendations**

- 1) We recommend that CPB management require GPB to:
  - a) submit a revised FY 2009 AFR eliminating the unallowable in-kind contributions claimed as NFFS;
  - b) reimburse \$54,203 in excess FY 2011 CSG payments made to WUGA and WJSP based on the FY 2009 reported NFFS; and
  - c) document corrective actions taken and controls instituted to ensure future compliance with CPB guidelines for documenting, recording, and reporting in-kind contributions.

## **Management Response**

GPB did not concur with this finding and provided the following explanations of actions taken to more fully document in-kind contributions claimed.

GPB requested that all six colleges and universities re-submit their FY 2009 in-kind contributions letters with additional supporting documentation. GPB management officials stated they have long standing relationships with these colleges and universities and understands the background of information that supports the in-kind contributions as originally submitted. These officials stated they are now prepared to more fully document the in-kind contributions to ensure compliance with the CPB guidelines for claiming in-kind contributions as NFFS.

All colleges and universities have complied with this request and submitted back-up documentation with their FY 2011 in-kind contribution letters. GPB will perform a full review to ensure any agreements between GPB and the universities and colleges are current and clarify the relationship between both parties as it relates to in-kind contributions.

GPB disagreed with the OIG interpretation of the agreements between GPB and the universities and colleges. Their specific disagreements are provided in more detail in their written response to the draft report presented in Exhibit L.

## **OIG Review and Comment**

Based on GPB's response, we consider recommendations 1a and 1b unresolved, pending a CPB management decision. Since the documentation originally provided to support in-kind contributions did not adequately document fair value and the methods of valuation, the acceptance of reconstructed in-kind claims will be made in CPB's management decision.

Based on GPB's response, we consider recommendation 1c resolved pending CPB acceptance of GPB's planned corrective actions. Specifically, GPB's statement that they are now prepared to more fully document in-kind contributions, as well as, its plans to perform a full review to ensure any agreements between GPB and the universities or colleges are current and clarifies the relationship between the parties as it relates to in-kind contributions. We suggest that current agreements with universities and colleges specifically address CPB requirements for documenting in-kind contributions, including training if necessary.

## **Lack of Discrete Accounting**

During our audit period, GPB did not separately record the use of CSG funds in accordance with CPB grant terms.<sup>1</sup> While separate general ledger accounts were maintained for radio and television CSG revenues, separate general ledger accounts of CPB expenditures were not established. As a result, we could not independently verify that CPB funds were properly used without the assistance of GPB officials to identify CPB expenditures. Station officials stated they understood the need for better accountability, and would modify its accounting system to separately track CPB revenues and expenditures to provide an adequate audit trail in the future.

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 expenditures. It further requires that:

- CSG funds which cannot be accounted for because of the recipient's failure to comply with this requirement may be subject to repayment;
- grant recipients must maintain financial records that facilitate an effective audit; and
- records must be retained for no less than three years after the end of the expenditure period.

Additionally, CPB's website provides that, "discrete accounting requires a unique code that identifies CSG revenues and expenses, restricted and unrestricted, so that both the grantor and the auditor can discretely track those funds within the accounting system. There is no requirement to segregate CSG funds in separate bank accounts. Co-mingling funds is allowable as long as the accounting system can easily identify transactions associated with a major activity (i.e., department, grant, contract or other project)."

Our review found that CPB revenue accounts were established in the general ledger. GPB management officials provided us with a worksheet that identified how CPB restricted funds were spent. However, GPB had not established corresponding expenditure accounts in its accounting system to record the specific use of CPB funds for discretionary CSG, Interconnection, or Distance Service Grant expenditures. To audit CPB expenditures, GPB had to identify expenditures recorded in an operating fund expenditure account funded from multiple sources, including CPB. GPB told us that the CPB funds were spent on PBS and NPR dues. We were presented with PBS and NPR invoices, which totaled expenditures in excess of the CPB television and radio CSG funding levels for our audit period.

---

<sup>1</sup> Similar discrete accounting requirements apply to the CPB Interconnection and Distance Service Grants awarded to GPB.

For this audit, we accepted management's assertion that these expenses were paid with CPB funds; however, we could not independently verify that these expenses were paid from CPB funds. The operating fund expenditure account commingled expenditures to pay operating expenses, and did not provide an audit trail to match expenses to revenue sources.

### **Recommendation**

- 2) We recommend that CPB require GPB to comply with CPB's discrete accounting requirements and maintain sufficient financial records to facilitate an effective audit of CPB revenues and expenditures. Such records should discretely account for all CSG income and expenditures against grants awarded on a fiscal year basis and include tracking expenditures.

### **Management Response**

In response to this recommendation GPB officials stated that effective for FY 2011, GPB has created additional separate fund sources for each CPB grant, regardless of CPB source, to satisfy CPB's discrete accounting guidelines.

### **OIG Review and Comment**

Based on GPB's response, we consider recommendation 2 resolved but open pending CPB's acceptance of GPB's corrective actions. GPB's response agreed to follow CPB's discrete accounting guidelines; however, the response did not describe the methodology that will be used to ensure discrete accounting of CPB grant expenditures.

### **Annual Financial Report Did Not Report Total Revenues and Expenditures**

Our review of GPB's FY 2009 AFRs found it did not accurately report total revenues and expenditures reported in the audited financial statements. GPB excluded all of the capital projects and non-major government fund activities from the AFR totaling \$10,430,752, which was material to the financial statements. Further, none of GPB's four AFRs reported CPB digital fund revenues of \$800,651 on Schedule A, Line 2.B of the AFRs.

Section 2 of CPB's Financial Reporting Guidelines requires all revenue and support recognized in audited financial statements must be reported on the AFR. Section 5.8 requires that the AFR, Schedule E, reflect the sum total of all expenses (operating and non-operating) as reported in the grantee's audited financial statements. Further, CPB Financial Reporting Guidelines require DDF revenues to be reported on its AFRs, Schedule A, Line 2B.

GPTC's financial statement audit for the period ending June 30, 2009 reported total revenues of \$37,546,985 and expenditures of \$39,358,669. GPB's combined 2009 AFRs reported \$27,118,627 in revenues and \$29,930,531 in expenditures. Schedule F of the AFR, which is the reconciliation schedule with the audited financial statements, only reported revenues of \$27,952,517 on Line 1e, with a reconciling amount of \$833,890 for in-kind contributions. Schedule F did not reconcile the material differences in revenues reported on the AFR and the audited financial statement, because of the exclusion of the Capital Projects Fund and Non-major Government Fund activities.

Our review of the audited financial statements and discussion with GPB officials disclosed that the AFRs only reported the activities from GPB's General Fund account. The AFRs did not report the activities in the Capital Projects Fund<sup>2</sup> totaling \$10,428,359 or the Non-Major Government Fund activities of \$2,393<sup>3</sup>. In not reporting the Capital Projects Fund on the AFR, GPB did not report CPB digital revenues of \$800,651. The \$800,651 in revenues recognized in the Capital Projects Fund, differed from the \$1,213,000 in digital funds paid to GPB during FY 2009, per Exhibit A.

Our discussions with GPB officials further disclosed that GPB has never reported digital funds received on its AFRs. Although the elimination of the Capital Funds from the AFR had no impact of GPB's reported NFFS, a material amount of GPB's revenues and expenditures were not reported on the AFR, in accordance with CPB guidelines.

### **Recommendation**

- 3) We recommend that GPB management establish the necessary controls to ensure that all revenues and expenditures on the audited financial statements are reported to CPB on the AFR, including CPB digital revenues on Schedule A, Line 2B.

### **Management Response**

GPB's response disagreed with the audit's interpretation of the total revenues and expenditures reported on the AFR compared to GPB's audited financial statements.

GPB management officials agreed that they did not include any revenue or expenditure data for the Capital Projects fund in the 2009 AFR. GPB officials

---

<sup>2</sup> The Capital Projects Fund is used by GPB to account for the financial resources provided for the digital conversion of the towers and transmitters.

<sup>3</sup> The Non-Major Government Fund is a permanent fund used to account for funds donated to the Foundation for Public Broadcasting in Georgia, Inc. The permanent fund is divided into two parts: reserved and unreserved. The reserved portion of the endowment is held in perpetuity.

stated that CPB guidelines require that all TV capital contributions restricted for facilities and equipment and improvements or digital funds provided by CPB will be excluded from NFFS. GPB officials further state that even if they had included the revenue it would have been excluded from NFFS resulting in no change to the NFFS reported to CPB.

GPB's management officials stated the examination identified that there is a difference between what is reported in GPB's financial statement audit in FY 2009 for CPB digital funds and cash received from CPB in the same period. GPB responded that the FY 2008 financial statement audit performed for GPB shows \$2,468,586 in revenue (i.e. accounts receivable and/or cash) for CPB digital funds. Where applicable, any difference in FY 2009 revenue was applied to outstanding receivables from FY 2008.

### **OIG Review and Comment**

Based on GPB's response we consider recommendation 3 unresolved, pending CPB's management decision. GPB's response did not address the recommendation to ensure all revenues and expenditures are reported on the AFR.

### **Communication Act Noncompliance**

We found that GPB was not in full compliance with the statutory provisions of the Act or the CPB requirements for conducting open meetings of its Board of Directors (Board) and establishing operating procedures explaining how it complied with four requirements of the Act. Our review also found that GPB complied with the Act's requirements for making financial records available to the public, Equal Employment Opportunity (EEO) reporting, and securing donor list information.

#### ***Quarterly Notification of Open Meetings Policy***

Review of available documentation posted on the GPB web-site and interviews of station employees disclosed that the station conducted open meetings, advised the public of the planned meetings using its web site and prepared minutes of these meetings for review by the public; however, GPB did not fully comply with CPB's open meeting requirements to 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.

Section 396(k)(4) of the Act (47 U.S.C. §396(k)(4)) 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 requirements for “reasonable notice” to the public as stated in CPB’s explanation of the Act requires stations to “give reasonable notice to the public of the fact, time and place of an open meeting at least one week (7 days) in advance of the scheduled date . . . .” CPB’s explanation of the Act requires stations to provide three types of notice.

1. Notice 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 available through an announcement that is accessible on the station's web page.
2. Notice communicated by letter, e-mail, fax, phone, or in person to any individuals who have specifically requested that they be notified.
3. On-air announcements on at least three consecutive days once during each calendar quarter that explain the station's open meeting policy and provides information about how the public can obtain information regarding specific dates, times, and locations.

The station’s lack of compliance with the open meeting notice requirements deprived the public of the required information envisioned by the Act.

### ***Documenting Procedures for Compliance with Act Requirements***

Our review found that GPB was in compliance with Act requirements to make financial and EEO records available to the public; and maintaining and securing donor lists. While we found GPB was in compliance with these specific requirements, GPB officials had not established implementing procedures or written documentation explaining how it complied with the four requirements of the Act.

CPB’s Certification Requirements for Station Grant Recipients provide the following guidance regarding CPB Procedures for Compliance and Certification on documentation and written procedures requirements for Open Meetings, Open Financial Records, EEO and Donor List and Political Activities. Each recipient of a CPB station grant shall develop documentation explaining how the station complies with these requirements. This documentation should address the procedures for conducting open meetings and the methods used to give

reasonable notice to the public; the types of financial and EEO information to be made available to the public, including the mechanisms used to give the public access to this information; and political activity restriction requirements. This documentation shall be kept by each station at a reasonable location and made available to CPB, upon request, to determine the fact and extent of compliance with these requirements.

These procedures should specify how the station actually goes about complying with each of the four sections of the certification requirements. These procedures are necessary to provide the public with information they can use to understand how the station complies with these grant responsibilities.

In response to this finding GPB officials said they were aware of the various statutory requirements of the Act, but did miss the requirement to prepare documentation to inform the public what information is available for review and the methods they should use to obtain this information. GPB officials acknowledged the need to comply with these requirements and addressed these issues in its response to the draft report.

### **Recommendations**

- 4) We recommend that CPB require GPB management to fully comply with all requirements of the Act and provide CPB with documentation of its compliance with the following requirements over the next fiscal year.
  - a) Make on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meeting policy and provide information on how the public can obtain information regarding specific dates, times, and locations of public meetings. Maintain documentation of station on-air announcements aired, including the date and time of each announcement.
  - b) Establish written implementing policies on the station's practices for all of the Act's requirements, including open meetings, maintaining open financial records, reporting EEO information, and maintaining donor lists.

### **Management Response**

In response to Recommendation 4a GPB has taken actions to make on air announcements for at least three consecutive days once each calendar quarter announcing the date, time and place of the meetings, maintain documentation of these announcements, and provide the date and time of each announcement.

In response to recommendation 4b GPB established written policies that describes their procedures for compliance the Communication Act requirements that will be available for public view. A motion will be made at the next GPB

Board meeting to update GPB's policies with this document outlining it's response and processes to CPB's certification requirements.

**OIG Review and Comment**

Based on GPB's response, we consider recommendation 4a and 4b resolved but open pending CPB's acceptance of GPB's corrective actions.

**Schedule of CPB Payments to Georgia Public Broadcasting  
for Digital Distribution Fund Grants,  
Television and Radio Community Service Grants,  
Distance Service Grant and Interconnection Grants  
(July 1, 2008 - June 30, 2009)**

<b>Station</b>	<b>Grant</b>	<b>Payment</b>	<b>Payment Date</b>
GPB/GPTC	DTV Transition Grant	\$10,000.00	5/21/2009
GPB/GPTC	TV - CSG Base and Incentive Grant	\$1,256,992.00	10/31/2008
		\$1,256,990.00	3/9/2009
GPB/GPTC	TV - Distance Grant	\$220,000.00	10/31/2008
GPB/GPTC	Radio Equipment Grant <sup>4</sup>	\$40,000.00	3/9/2009
GPB/GPTC	Station Transition Grant	\$1,500.00	6/17/2009
WABW	TV Equipment Grant - DDF 10	\$188,100.00	10/1/2008
WACS	TV Equipment Grant	\$56,000.00	9/5/2008
WCES	TV Equipment Grant - DDF 10	\$63,400.00	10/1/2008
WGTV	TV Equipment Grant - DDF 10	\$31,600.00	10/1/2008
WGTV	TV Equipment Grant	\$202,300.00	9/12/2008
WJSP-FM	FY 09 Radio CSG Unrestricted & Restricted	\$164,460.00	10/31/2008
		\$164,459.00	2/24/2009
WJSP	TV Equipment Grant	\$92,500.00	9/12/2008
WSVH-FM	FY 09 Radio CSG Unrestricted & Restricted	\$46,176.00	10/31/2008
		\$46,176.00	2/24/2009
WUGA-FM	FY 09 Radio CSG Unrestricted & Restricted	\$62,377.00	10/31/2008
		\$62,375.00	2/24/2009
WUGA-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WUNV-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WVAN	TV Equipment Grant - DDF 10	\$29,900.00	10/1/2008
WWIO-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WXGA	TV Equipment Grant - DDF 10	\$21,700.00	10/1/2008
WXVS-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WABR-FM	Radio Equipment Grant	\$37,500.00	3/4/2009
WDCO-FM	Radio Equipment Grant	\$37,500.00	3/16/2009
WJSP-FM	Radio Equipment Grant	\$37,500.00	3/16/2009
WJWV-FM	Radio Equipment Grant	\$37,500.00	3/4/2009
WNGU-FM	Radio Equipment Grant	\$37,500.00	3/4/2009
WPPR-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WSVH-FM	Radio Equipment Grant	\$37,500.00	3/16/2009
WUWG-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
WWET-FM	Radio Equipment Grant	\$37,500.00	3/9/2009
	<b>Total FY 2009 Payments:</b>	<b>\$4,505,505.00</b>	

<sup>4</sup> The grants labeled as 'Equipment Grants' are Digital grants funded by CPB. These payments total \$1,213,000.

**GPB-TV Annual Financial Report  
Year Ending June 30, 2009**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b>Schedule A, Source of Income</b>	
1.	Amounts provided directly by federal government agencies	\$149,582
2.A.	CPB - Community Service Grants	2,463,391
2.B.	CPB - Digital Project Grants <sup>5</sup>	0
2.D.	CPB - TV Interconnection Grants	50,591
2.E.	CPB - All Other Funds	241,124
2.F.	PBS - all payments except copyright royalties and other pass-through payments	33,062
2.H.	Public broadcasting stations - all payments	86,879
3.	Local boards and departments of education	90,508
4.	State boards and departments of education	14,594,197
5.	State colleges and universities	40,946
6.	Other state-supported colleges and universities	14,825
8.	Foundations and nonprofit associations	548,360
9.	Business and industry	758,699
10.	Memberships and subscriptions	3,519,468
15.	Passive income	125,170
16.	Gains and losses on investments, charitable trusts and gift annuities and sale of other assets	(149,927)
18.	Capital fund contributions	136,653
20.	Other Direct Revenue	141,213
21.	<b>Total Revenue</b>	<b>\$22,844,741</b>
	<b>Adjustments to Revenue</b>	
22.	Federal revenue from Line 1	\$149,582
23.	Public broadcasting revenue from Line 2	2,875,047
24.	Capital funds exclusion - TV only	136,653
25.	Other revenue on Line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS	500,900
26.	Other automatic subtractions from total revenue	(149,927)
27.	<b>Total Direct Nonfederal Financial Support</b>	<b>\$19,332,486</b>
	<b>Schedule E, Expenses</b>	
	<b>Program Services</b>	
1.	Programming and production	\$9,720,716
2.	Broadcasting and engineering	3,827,139
	<b>Support Services</b>	
4.	Management and general	5,391,698
5.	Fundraising and membership development	3,064,727
7.	Depreciation and amortization	962,186
8.	<b>Total Expenses</b>	<b>\$22,966,466</b>

<sup>5</sup> Grant payment records indicate that GPB-TV received digital funds totaling \$384,700 for FY 2009 (GPB-TV - \$344,700; GPTC - \$40,000). AFR Line 2.B. is understated by that amount.

**WJSP Annual Financial Report  
Year Ending June 30, 2009**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b>Schedule A, Source of Income:</b>	
1.	Amounts provided directly by federal government agencies	\$0
2.A.	CPB - Community Service Grants (unrestricted portion only) <sup>6</sup>	328,919
2.B.	CPB - Digital Project Grants <sup>7</sup>	0
2.C.	CPB - Restricted portion of Radio Community Service Grants	0
2.G.	NPR - all payments except pass-through payments	25,123
2.I.	Other PBE funds	2,025
3.	Local boards and departments of education	12,921
4.	State boards and departments of education	2,038,021
5.	State colleges and universities	46,077
7.	Private colleges and universities	30,215
8.	Foundations and nonprofit associations	102,363
9.	Business and industry	55,716
10.	Memberships and subscriptions	495,333
15.	Passive Income	25,342
16.	Gains and losses on investments, charitable contributions and gift annuities and sale of other assets	(35,168)
18.	Capital fund contributions	28,735
20.	Other Direct Revenue	3,042
21.	<b>Total Revenue</b>	<b>\$3,158,664</b>
	<b>Adjustments to Revenue:</b>	
22.	Federal revenue from Line 1	\$0
23.	Public broadcasting revenue from Line 2	356,067
25.	Other revenue on Line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS	535
26.	Other automatic subtractions from total revenue	(35,168)
27.	<b>Total Direct Nonfederal Financial Support</b>	<b>2,837,230</b>
	<b>Schedule C, In Kind Contributions of Services and Other Assets:</b>	
6.	Total in-kind contributions - services and other assets	<b>\$86,029</b>
	<b>Schedule E, Expenses:</b>	
	<b>Program Services</b>	
1.	Programming and production	\$1,603,688
2.	Broadcasting and engineering	1,015,199
	<b>Support Services</b>	
4.	Management and general	2,081,427
5.	Fundraising and membership	812,959
7.	Depreciation and amortization	303,848
8.	<b>Total Expenses</b>	<b>\$5,817,121</b>

<sup>6</sup> The unrestricted portion of the CSG grant was overstated by including the restricted portion in AFR line 2.A. The AFR should state \$243,038 for unrestricted and \$85,881 for restricted.

<sup>7</sup> Grant payment records indicate that WJSP received digital funds totaling \$350,800 for FY 2009. AFR Line 2.B. is understated by that amount.

**WUGA Annual Financial Report**  
**Year Ending June 30, 2009**

Line	Description	2009
	<b>Schedule A, Source of Income:</b>	
1.	Amounts provided directly by federal government agencies	\$0
2.A.	CPB - Community Service Grants (unrestricted portion only) <sup>8</sup>	124,752
2.B.	CPB - Digital Project Grants <sup>9</sup>	0
2.C.	CPB - Restricted portion of Radio Community Service Grants	0
3.	Local boards and departments of education	6,245
4.	State boards and departments of education	6,629
5.	State colleges and universities	21,957
7.	Private college and universities	14,604
8.	Foundations and nonprofit associations	48,968
9.	Business and industry	26,712
10.	Memberships and subscriptions	239,411
20.	Other Direct Revenue	1,470
21.	<b>Total Revenue</b>	<b>\$490,748</b>
	<b>Adjustments to Revenue:</b>	
22.	Federal revenue from Line 1	\$0
23.	Public broadcasting revenue from Line 2	124,752
27.	<b>Total Direct Nonfederal Financial Support</b>	<b>\$365,996</b>
	<b>Schedule C, In Kind Contributions of Services and Other Assets:</b>	
6.	Total in-kind contributions - services and other assets	<b>\$747,862</b>
	<b>Schedule E, Expenses</b>	
	<b>Program Services</b>	
1.	Programming and production	159,234
8.	<b>Total Expenses</b>	<b>\$159,234</b>

<sup>8</sup> The unrestricted portion of the CSG grant was overstated by including the restricted portion in AFR line 2.A. The AFR should state \$92,179 for unrestricted and \$32,573 for restricted.

<sup>9</sup> Grant payment records indicate that WUGA received digital funds totaling \$487,500 for FY 2009. AFR Line 2.B. is understated by that amount.

**WSVH Annual Financial Report  
Year Ending June 30, 2009**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b>Schedule A, Source of Income</b>	
1.	Amounts provided directly by federal government agencies	\$0
2.A.	CPB - Community Service Grants (unrestricted portion only) <sup>10</sup>	92,352
2.B.	CPB - Digital Project Grants	0
2.C.	CPB - Restricted portion of Radio Community Service Grants	0
3.	Local boards and departments of education	2,369
4.	State boards and departments of education	393,417
5.	State colleges and universities	8,328
7.	Private colleges and universities	5,539
8.	Foundations and nonprofit associations	18,574
9.	Business and industry	10,132
10.	Memberships and subscriptions	90,811
15.	Passive income	2,393
20.	Other Direct Revenue	558
21.	<b>Total Revenue</b>	<b>\$624,473</b>
	<b>Adjustments to Revenue</b>	
22.	Federal revenue from Line 1	\$0
23.	Public broadcasting revenue from Line 2	92,352
27.	<b>Total Direct Nonfederal Financial Support</b>	<b>\$532,121</b>
	<b>Schedule E, Expenses:</b>	
	<b>Program Services</b>	
1.	Programming and production	\$347,552
2.	Broadcasting and engineering	198,691
	<b>Support Services</b>	
4.	Management and general	286,618
5.	Fundraising and membership development	154,849
8.	<b>Total Expenses</b>	<b>\$987,710</b>

<sup>10</sup> The unrestricted portion of the CSG grant was overstated by including the restricted portion in AFR line 2.A. The AFR should state \$68,238 for unrestricted and \$24,114 for restricted.

**GPB-TV Summary of Non-Federal Financial Support 2009**  
**Certification by Head of Grantee and Independent Accountant's Report**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b><i>Summary of Non-Federal Financial Support:</i></b>	
1.	Direct Revenue (Schedule A)	\$19,332,486
2.	Indirect Administrative (Schedule B)	0
3.	In-Kind Contributions (Schedule C)	
3.a	Services and Other Assets (Schedule C)	0
3.b	Property and Equipment (Schedule D)	0
4.	<b>Total Non-Federal Financial Support</b>	<b>\$19,332,486</b>

**WJSP Summary of Non-Federal Financial Support 2009**  
**Certification by Head of Grantee and Independent Accountant's Report**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b><i>Summary of Non-Federal Financial Support:</i></b>	
1.	Direct Revenue (Schedule A)	\$2,837,230
2.	Indirect Administrative (Schedule B)	0
3.	In-Kind Contributions (Schedule C)	
3.a	Services and Other Assets (Schedule C)	86,029
3.b	Property and Equipment (Schedule D)	0
4.	<b>Total Non-Federal Financial Support</b>	<b>\$2,923,259</b>

**WUGA Summary of Non-Federal Financial Support 2009**  
**Certification by Head of Grantee and Independent Accountant's Report**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b><i>Summary of Non-Federal Financial Support:</i></b>	
1.	Direct Revenue (Schedule A)	\$365,996
2.	Indirect Administrative (Schedule B)	0
3.	In-Kind Contributions (Schedule C)	747,862
3.a	Services and Other Assets (Schedule C)	0
3.b	Property and Equipment (Schedule D)	0
4.	<b>Total Non-Federal Financial Support</b>	<b>\$1,113,858</b>

**WSVH Summary of Non-Federal Financial Support 2009**  
**Certification by Head of Grantee and Independent Accountant's Report**

<b>Line</b>	<b>Description</b>	<b>2009</b>
	<b><i>Summary of Non-Federal Financial Support:</i></b>	
1.	Direct Revenue (Schedule A)	\$532,121
2.	Indirect Administrative (Schedule B)	0
3.	In-Kind Contributions (Schedule C)	
3.a	Services and Other Assets (Schedule C)	0
3.b	Property and Equipment (Schedule D)	0
4.	<b>Total Non-Federal Financial Support</b>	<b>\$532,121</b>

**GPB In-Kind Contributions Claimed in FY 2009**

<b>Institution</b>	<b>Category</b>	<b>Value</b>	<b>Total</b>
University A	Personal Services: Salaries & Benefits	\$359,173	
	Supplies & Expenses	\$120,207	
	Facilities/Office and Studio Space (16,616 sq. ft. x \$16.15)	\$268,481	\$747,862
University B	Salaries & Benefits	\$14,636	
	Supplies & Expenses	\$1,637	
	Studio Rental & Upkeep (1,478 sq. ft. x \$5.18)	\$7,656	\$23,929
University C	Personal Services: Salaries & Benefits	\$8,973	
	Supplies & Expenses	\$4,995	
	Facilities/Office and Studio Space (1,023 sq. ft. x \$9.50)	\$9,719	\$23,687
University D	Utilities	\$5,762	
	General Maintenance	\$2,380	
	Custodial	\$9,527	\$17,669
College E	Space Rental/Utilities (1,359 sq. ft. x \$12.852)	\$17,466	\$17,466
College F	Supplies & Expenses	\$938	
	Facilities Expense (240 sq. ft. x \$9.75)	\$2,340	\$3,278
	<b>Total</b>		<b>\$833,891</b>

## **SCOPE AND METHODOLOGY**

We conducted our examination of GPB in accordance with *Government Auditing Standards* (GAS) for Attestation engagements to determine whether GPB: a) claimed Non-Federal Financial Support (NFFS) on its 2009 Annual Financial Report (AFR) in accordance with Corporation for Public Broadcasting (CPB) Financial Reporting Guidelines; b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act); and c) expended CSG, DDF and other grant funds in accordance with CPB grant requirements.

The scope of our audit included reviews and tests of the information reported by the station on the 2009 AFR and audited financial statements. We examined GPB's compliance with the Act and Certification Requirements for CPB station grant recipients. We examined expenditures for the Digital Distribution Fund grants and expenditures of the CPB Community Service, Distance Service, and Interconnection grants paid from the General Fund.

We conducted a risk assessment using the information presented on GPB's FY 2009 AFR and audited financial statements. As part of our risk assessment, we gained an understanding of internal controls established by GPB for preparation of the AFR, recording revenue, and approving expenditures. We met with GPB's independent public accountant (IPA) and reviewed copies of the IPA's working papers, including internal control work and supporting schedules used to prepare the audited financial statements and attestation certification provided to CPB. Our risk assessment was used to plan our detailed substantive testing.

Specifically, we tested the accuracy of the AFRs by comparing the report to GPB's revenues and expenditures reports. We evaluated compliance with CPB's Financial Reporting Guidelines, in part, by reviewing GPB's determination of revenue when computing its NFFS. We reviewed documentation supporting revenue reported on the FY 2009 AFR for in-kind contributions and underwriting. We tested twenty-two underwriting agreements totaling approximately \$1.3 million from a universe of \$2.85 million. All in-kind contributions totaling \$883,881 were reviewed to determine whether the contributions were supported and eligible for reporting as NFFS.

Because GPB does not employ discrete accounting for non-Digital grants, we judgmentally reviewed the largest expense category reported on the AFRs. For GPB-TV, \$9.7 million was reported for Programming and Production. Of this amount, we tested forty-eight transactions totaling \$3.9 million. These costs were funded by the General Fund which included funds received from multiple funders and grants. For CPB DDF grants, we selected two large grants and tested all fifty-four expense transactions for a total of \$1.8 million. We also tested GPB's compliance with the Digital grants' matching funds requirement by reviewing \$815,983 in GPB-TV digital costs. We selected nineteen invoices for

national programming costs totaling \$4.5 million. These source documents were traced to the general ledger detail and reviewed for conformity with grant restrictions. Overall, five different tests of expenses were performed. These tests included the review of 121 transactions, totaling approximately \$11 million of the \$29.9 million universe of expenditures (per the AFRs).

We also reviewed documentation of GPB's compliance with the applicable provisions of the Public Broadcasting Act. Specifically, we reviewed GPB's online public inspection file to verify that it contained all the information required by the Act.

Our examination was performed in accordance with *Government Auditing Standards*, for Attestation engagements. We conducted our audit fieldwork from December 2010 through May 2011.



September 14, 2011

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

Re: Response to Examination of Georgia Public Broadcasting, CPB Grants for the  
Period July 1, 2008 – June 30, 2009, Report #ASJ1101-XXXX

Dear Mr. Richardson,

On behalf of Georgia Public Broadcasting (GPB), we hereby submit our written comments in response to your letter of August 1, 2011 and the draft CPB Audit Report. We appreciate CPB's support throughout this process and for the opportunity to present our draft response to CPB in an exit conference setting.

While we accept some of the audit findings, we do dispute some of the issues and circumstances as noted in our responses hereafter. The narrative responses are in addition to all of the documentation provided to CPB throughout the audit process. We recommended some language revisions to the draft audit report during our exit conference with CPB and have been advised that these revisions have been accepted to improve the accuracy of the final audit report.

**1. In-Kind Contributions Claimed as NFFS without Adequate Supporting Documentation:**

CPB Finding: Lack of documentation supporting NFFS in-kind contributions totaling \$833,891, resulting in a CPB overpayment of \$54,203 in FY 2011 CSG payments.

GPB does not concur with the findings in this section. GPB received in-kind donations from colleges and universities around the State for personal services, supplies and materials and studio space for GPB's radio operations. There were six in-kind contribution letters received in FY 2009 as follows:

<u>Institution</u>	<u>GPB Facility</u>	<u>In-Kind Contribution</u>
Augusta State University	WACG-FM	\$ 23,929.27
Georgia Highlands College	WGPB-FM	17,465.87
Mercer University	WMUM-FM	17,669.00
Piedmont College	WPPR-FM	3,278.00
University of West Georgia	WUWG-FM	23,686.55
University of Georgia	WUGA-FM	<u>747,862.01</u>
<b>Total In-Kind Contributions</b>		<b>\$ 833,890.70</b>

GPB requested that all six colleges and universities re-submit their FY 2009 in-kind contributions letters with additional supporting documentation. We had a 100% response rate and have forwarded a copy of these re-submissions to CPB's Station Grants Administration department. GPB requests that CPB accepts the re-submissions for FY 2009 in order to maintain our FY 2009 NFFS levels as originally submitted to CPB. GPB has long standing relationships with these colleges and universities and understands the background of information that supports the in-kind contributions as submitted. We are now prepared to more fully document the in-kind contributions to ensure compliance per CPB guidelines.

CPB does not require licensees to upload a copy of in-kind donation letters when submitting the Annual Financial Report (AFR). In-kind contributions are subject to licensee review and inclusion and are audited by the State Department of Audits and Accounts for inclusion as *Notes to the Financial Statements* in GPB's audit and subsequently, inclusion in the AFR. In addition, all of the colleges and universities have received outside independent audits.

GPB contends that all in-kind donations received for FY 2009 are in compliance with CPB guidelines for inclusion as NFFS. These in-kind contributions meet CPB's financial reporting guidelines – for the operation of a noncommercial, educational public broadcast station and/or the production, acquisition, distribution or dissemination of educational radio programs and related activities.

Two of the in-kind letters were for studio and facilities expenses. Georgia Highlands College reported space rental only and included price per square foot and total square footage. Piedmont College reported minimal supplies and materials expenses and facilities including price per square footage and total square footage. We contend that besides the colleges disclosing the valuation method used on the in-kind letter, these two in-kind donations satisfy the CPB guidelines as is. CPB auditors also conducted interviews with all six colleges and universities regarding the valuation methods used for facility or space rental and were satisfied with the responses during their field work. Effective August 1, 2011, GPB requested all in-kind contributors to submit additional supporting documentation to satisfy CPB guidelines for determining their inclusion as NFFS. All colleges and universities have complied with this request and submitted back-up documentation with their FY 2011 in-kind contribution letters.

GPB will perform a full review to ensure any agreements between GPB and the universities or colleges around the state are current and clarifies the relationship between both parties specifically as it relates to in-kind contributions.

**In-Kind Contributions Section, Cooperative Agreement between GPTC and the Board of Regents comment:**

GPB disagrees with CPB's interpretation of the agreement between GPB and UGA (University of Georgia) for the use of federal funds and inclusion as in-kind as posed in the CPB audit. Page two and page seven of the agreement with UGA states that GPB would purchase equipment for the station with the aforementioned grants. The station was constructed within existing space located in the Continuing Education Center at UGA. Neither GPB funds nor any federal funds were used in the renovation of the studio space. UGA funded the entire physical build-out for the radio studios and as a result they now include rental space as part of the in-kind contribution to GPB. GPB entered into an amendment to the 1986 cooperative agreement with UGA on January 6, 2011 in order to clarify the relationship between GPTC and UGA with regard to WUGA-FM operations. This amendment has been shared with CPB.

**In-Kind Contributions Section, Agreement between GPTC and Mercer University comment:**

GPB disagrees with CPB's interpretation of the agreement between GPB and Mercer University. Mercer University allowed GPB to develop and expand its WMUM operations by giving GPB dedicated space on the Mercer campus in Macon, Georgia, for TV, radio and studio productions. The relationship also offers opportunities for apprenticeships to students in the Broadcast Journalism department at Mercer however no apprenticeships have taken place as of yet. GPB has one full-time radio reporter at the WMUM-FM facilities on the Mercer campus.

GPB contends that all activities related to the WMUM studios at Mercer University support CPB's financial reporting guidelines – for the operation of a noncommercial, educational public broadcast station and/or the production, acquisition, distribution or dissemination of educational radio programs and related activities. Mercer University does not report any personal services expenditures (i.e. for the Broadcast Journalism department) on its in-kind contribution letter to GPB. Mercer reports utilities, general maintenance and custodial expenditures in relationship to TV and radio studio space on campus. All of these are essential expenditures necessary to the operation of GPB's radio station.

**In-Kind Contributions Section, Agreement between GPTC and Piedmont College comment:**

GPB disagrees with CPB's interpretation of the agreement between GPB and Piedmont College. Piedmont College allows GPB to have an on-site presence on their campus in Demorest, Georgia. The college provides a dedicated studio space for GPB's WPPR station.

GPB contends that all activities related to the WPPR studios at Piedmont College support CPB's financial reporting guidelines – for the operation of a noncommercial,

educational public broadcast station and/or the production, acquisition, distribution or dissemination of educational radio programs and related activities. Piedmont College does not report any personal services expenditures on its in-kind contribution letter to GPB. Piedmont only reports minimal supplies and materials and facilities expenses in relationship to the radio studio space on campus. Again, these are essential expenditures necessary for the operation of GPB's radio station.

**In-Kind Contributions Section, Memorandum of Agreement between GPTC and the Board of Regents comment:**

The agreement mentioned in this section is a space rental agreement maintained by the State Properties Commission. These Regent's agreements typically note a \$1.00 charge which is not billed for nor collected. This is more of a legal term as in \$1.00 and other valuable consideration and is not to be construed as the true value of the space. This notation is unrelated to true rental rates per square foot. The studio space is located on the Augusta campus and belongs to the college and is therefore included at a cost per square foot on the in-kind letter from Augusta State University. Augusta State University's in-kind contributions support a part-time person at the station who staffs the studio and does administrative work for the station.

GPB has requested that the Board of Regents and the State Properties Commission furnish any copies of agreements they may have on file between Augusta State University and GPB, as this is a long standing relationship over several decades.

**In-Kind Contributions Section, Salaries and Benefits comment:**

CPB 2009 guidelines specify to use Schedule C to report in-kind (i.e. non-cash) contributions of professional services, materials, supplies and the contributed use of assets (e.g. utilities and use of facilities and property to which the donor retains legal ownership). The guidelines do not include personal services and benefits on the specific list of exclusions, only donated personal services of volunteers cannot be claimed as NFFS.

GPB contends that the personal services and benefits related to the in-kind contributions at the three colleges and universities are eligible to be included as NFFS – these are part of general operational services for the station and are normal, standard activities necessary for GPB's radio operations. In fact, these in-kind contributions are essential to providing local radio service in these communities.

GPB is confident that all in-kind contributions reported in FY 2009 meet the CPB guidelines for in-kind contributions and the FY 2009 NFFS was not over-reported.

**2. Lack of Discrete Accounting:**

CPB Finding: The lack of discrete accounting for CSG expenditures.

GPB concurs with this finding. GPB reported CPB revenues with a discrete revenue chart of account, 438030, and reported relevant expenses with a discrete expenditure chart of account, 627024. All CPB revenues are used to acquire and pay for PBS and

NPR dues first and foremost. GPB's CSG grants do not cover the costs of PBS and NPR program acquisitions and dues. GPB was able to document CPB CSG funds and their appropriate expenditures for multiple fiscal years.

Effective FY 2011, GPB has created additional separate fund sources for each CPB grant, regardless of CPB source, to satisfy CPB's discrete accounting guideline.

**3. Annual Financial Report did not Report Total Revenues and Expenditures:**

CPB Finding: AFRs did not accurately report the total revenues and expenditures as reported in the audited financial statements, GPB excluded the capital projects and non-major government fund activities from the AFR, which excluded reporting CPB digital funds revenues and expenses.

GPB disagrees with CPB's interpretation of the total revenues and expenditures reported in the AFR compared to GPB's audit. GPB matches the AFR data to GPB's audit per audit Exhibit B, Statement of Activities. CPB references revenues and expenditures per Exhibit D, Statement of Revenues, Expenditures and Changes in Fund Balance. Revenues reported in Exhibit B are \$27,118,626.34 and Expenditures are \$29,930,532.31 (adjusted for digital project expenditures as they are not included in the general fund). Exhibit B expenditures includes items that are adjusted from Exhibit D – capital outlay costs are allocated over their estimated useful life as depreciation expense and changes in compensated absences.

GPB did not include any revenue or expenditure data for the Capital Projects fund in the AFRs. Per CPB guidelines, all TV capital contributions restricted for facilities and equipment improvements or digital funds provided by CPB will be excluded from NFFS. Even if we had included the revenue it would have been excluded from NFFS making no change to the amount reported in FY 2009.

Once the AFR is completed at GPB and reviewed by the State Department of Audits and Accounts it is submitted on-line with a copy of the audit for that fiscal year. CPB then reviews and accepts the AFRs. GPB would question why this under-reporting was not discovered at that time of review. We assume that during the CPB review total revenues and expenditures would be compared to GPB's audit and the discrepancy should have been noted and GPB notified to correct and re-submit the AFR. All of the FY 2009 AFRs submitted by GPB were approved by CPB.

CPB also notes that there is a difference between what is reported in GPB's audit in FY 2009 for CPB digital funds and cash received from CPB in the same period. The difference is easily explained. GPB's FY 2008 audit shows \$2,468,585.88 in revenue (i.e. accounts receivable and/or cash) for CPB in digital funds. Where applicable, any difference in FY 2009 was applied to outstanding receivables from FY 2008.

GPB would like to note that at the end of FY 2009, there was \$1,418,667.90 in aged receivables for CPB and 50% of these were twelve months old. For several fiscal years GPB had to document for the State auditors the validity of aged receivables as a result of CPB's continued delays in funding cash disbursements to GPB for the capital projects.

**4. and 5. Communication Act Noncompliance:**

CPB Findings: Noncompliance with Act requirements for open meetings; and Noncompliance with CPB requirements for establishing written procedures for complying with open meetings, open financial records, equal employment opportunity (EEO), and donor lists and political activities requirements.

GPB concurs with these findings and has addressed the oversight for noncompliance with this section of the CPB requirements and the Communications Act. GPB has remedied this finding by:

- Producing TV and Radio announcements of its open meetings on three consecutive days beginning the 15<sup>th</sup> day of the first month of each calendar quarter - January, April, July and October. There are three announcements per day during that period.
- The following is an example of the announcements for TV and Radio. "Meetings of the board of GPB's governing body, The Georgia Public Telecommunications Commission, are open to the public. You can find information about the date, time, and location of each meeting at [gpb.org/about/board](http://gpb.org/about/board). Or you can call GPB Audience Services at 404-685-2400. And thank you for your support of GPB!"
- These announcements are scheduled by the TV and Radio operations managers and appear on the broadcast log for tracking purposes.
- GPB's Member and Audience Services (MAS) department obtains the dates and times of the GPB open meetings, including any changes, from the Executive Assistant to the President of GPB. MAS logs all email and phone inquiries received for the monthly GPB Open Meetings in an excel spreadsheet titled Open Meetings. The excel spreadsheet will be available to anyone wishing to review it. If MAS receives a high volume of inquiries for any monthly meeting, they will alert the Executive Assistant to the President of GPB.

Furthermore, GPB has already established written policies under a master document named "Georgia Public Broadcasting's Documentation and Response to CPB's Certification Requirements for Station Grant Recipients" This document has been shared with CPB. This electronic file can be updated as needed and a printed copy can be found with the public files on site at GPB. A motion will be made at the next GPB Board meeting to update GPB's policies with this new document outlining GPB's response and processes to CPB's certification requirements.

We hope this narrative response to your findings and recommendations effectively addresses CPB's concerns and findings. GPB has worked diligently to become fully compliant with CPB guidelines and requirements.

***Exhibit L***

We appreciate your extension to the original deadline to provide this response and have enjoyed working with the auditors on this CPB audit.

Please let me know if there is any additional information that we need to provide and we look forward to hearing from you and your team at CPB.

Sincerely,



Bonnie R. Bean, CPA  
Deputy Director and CFO

cc: Teya Ryan, President and Executive Director, GPB  
Robert Winteringham, Deputy General Counsel, CPB  
Mark Erstling, Senior Vice President, System Development & Media Strategy, CPB  
Bruce Theriault, Senior Vice President, Radio, CPB