CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

AUDIT OF CPB GRANTS AWARDED TO PACIFICA FOUNDATION RADIO STATIONS KPFA, KPFK, KPFT, WBAI, AND WPFW

FOR THE PERIOD OCTOBER 1, 2008 – SEPTEMBER 30, 2010

AUDIT REPORT NO. ASR1202-1208

SEPTEMBER 21, 2012

William J. Richardson III

for Kenneth A. Konz

Corporation
for Public
Broadcasting

Office of Inspector General

Date: September 21, 2012

To: Robert Winteringham, Deputy General Counsel

From: for William J. Richardson III
Kenneth A. Konz, Inspector General

Subject: Audit of Grants Awarded to Pacifica Foundation Radio Stations KPFA, KPFK, KPFT, WBAI, and WPFW for the period October 1, 2008 – September 30, 2010, Audit Report Number ASR1202-1208

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG), and Fiscal Stabilization grants awarded to the five Pacifica Foundation (Foundation) radio stations, KPFA, KPFK, KPFT, WBAI, and WPFW for the period October 1, 2008 – September 30, 2010. The objectives of our examination were to determine whether the radio stations: a) claimed Non-Federal Financial Support (NFFS) on their Fiscal Year (FY) 2009 and 2010 Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expended CPB grant funds in accordance with grant agreement requirements; and c) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (the Act). We performed our examination in accordance with the *Government Auditing Standards* for attestation engagements. Our scope and methodology are discussed in Exhibit G.

Based upon our examination, we found:

- over-stated NFFS of $2,098,885 resulting in excessive CPB CSG grant payments of $133,240, classified as funds put to better use for reporting purposes;
- expenditures from the unrestricted portion of the CPB CSGs were not discretely accounted for in the accounting records of the five radio stations, instead they were comingled with other expense transactions; and
- noncompliance with statutory provisions of the Communications Act for open meetings, open financial records, and documenting operating procedures.

In response to the draft report Foundation officials explained its methodology for valuing high-end premiums which resulted in the over-stated NFFS. The Foundation agreed to take corrective actions to address the discrete accounting issue and compliance with Communications Act requirements. The Foundation's complete response to our draft report is presented in Exhibit H.

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This report presents the conclusions of the OIG and the findings reported do not necessarily represent CPB's final position on these issues. CPB management is responsible for determining the corrective actions to be taken, in accordance with CPB audit resolution procedures.

Based on the Foundation's response to the draft report, we consider recommendations 1a-c, 2b, and 3a-c unresolved pending CPB management's decision on our recommendations, including the collection of overpayments. Recommendation 2a is resolved but open pending CPB's acceptance of the Foundation's corrective actions.

BACKGROUND

The Foundation was founded in 1949 as a visionary alternative to commercially-driven media. The Foundation's website stated that this was a time when the idea of a listener-sponsored community radio station was a new one that had never been implemented. However, the idea was too compelling and in 1949 station KPFA in Berkeley, California went on the air. This was a new broadcast model which did not rely on some form of corporate or government funding.

Pacifica's mission is to promote peace and justice through communication between all races, nationalities and cultures. They strive to contribute to the democratic process through public discourse and promotion of culture. Not to beholden to commercial or government interests, Pacifica recognizes that use of the airwaves is a public trust.

The Foundation is headquartered in Berkeley, California and is the licensee of the five sister station network which also includes 131 affiliated independent radio stations throughout the United States.

CPB awards CSGs to public radio stations based on the amount of NFFS claimed by stations on their AFRs. The CSG calculation process starts with the separate amounts appropriated for the radio CSG pool adjusted by the amount of the base grants. The funds that remain are called the Incentive Grant Pool. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pool by the total amount of NFFS claimed by all radio stations. 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 a FY's CSG amount. Thus CPB used the NFFS claimed on the FY 2008 AFR to determine the amount of CSG a station received in FY 2010. The IRR applicable to FY 2009 NFFS was 6.4888 percent and 6.21241 percent for FY 2010 NFFS.

The Foundation's annual CSG awards totaled $3,000,373 ($1,591,869 in FY 2009 and $1,408,504 in FY 2010). Each CSG grant can be spent over a two year period. The FY 2010 CSG can be spent over the period October 1, 2009 through September 30, 2011. The Foundation's fiscal year covers the period October 1 through September 30 of each year.

CPB's cash payments to the Foundation totaled $3,148,534 during our audit period for the CPB grants listed in Exhibit A. The Foundation recognizes revenues when the funds are spent. As a result, Exhibit A cash receipts can be recognized as revenues over multiple fiscal years depending upon when the funds are actually expended. The Foundation's FY 2009 – 2010 AFRs reported total CPB revenues of $2,976,642.

The Foundation's AFRs reported total revenues of $24,068,388 per Exhibits B – C. The Foundation reported total NFFS of $20,520,172 as presented in Exhibits D - E.

RESULTS OF REVIEW

We examined management's assertions of compliance with CPB's CSG agreement terms for fiscal years 2009 and 2010, as well as NFFS reporting Guidelines for the periods ended September 30, 2009 and September 30, 2010. Management is responsible for compliance with these 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 the Foundation'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 does not provide a legal determination of the Foundation's compliance with specified requirements.

Our examination disclosed the following issues of material noncompliance with CPB's CSG grant terms, as well as CPB's NFFS financial reporting, Certification of Eligibility, and Communications Act requirements applicable to the periods ending September 30, 2009 and 2010.

- over-stated NFFS of $2,098,885 resulting in excessive CPB CSG grant payments of $133,240, classified as funds put to better use for reporting purposes;
- expenditures from the unrestricted portion of the CPB CSGs were not discretely accounted for in the accounting records of the five radio stations, instead they were comingled with other expense transactions; and
- noncompliance with statutory provisions of the Communications Act for open meetings, open financial records, and documenting operating procedures.

In our opinion, because of the effect of the material noncompliance issues described above, the Foundation did not comply with the aforementioned requirements for the periods ending September 30, 2009 and 2010.

FINDINGS AND RECOMMENDATIONS

Reporting Non-Federal Financial Support

The Foundation's radio stations did not fully comply with CPB Guidelines for reporting NFFS by improperly claiming $2,098,885 as direct revenues and NFFS on their AFRs as presented in the following table. These revenues represent a material over-statement (more than 10 percent) of the $20,520,172 of NFFS reported during our examination period. The over-statement occurred because the Foundation: did not deduct the costs of high-value premiums from membership revenue for all five stations; claimed special fund-raising revenues that were valued at less than the fair market value of the incentives provided to listeners for their contributions to WBAI; and, did not deduct all direct expenses from special fund-raising revenues for all five stations.

Reporting unallowable NFFS resulted in CPB making $133,240 in excess CSG grant payments to the Foundation during FYs 2011 and 2012. We classified the $133,240 as funds put to better use for reporting purposes because the funds paid to the Foundation could have been distributed to other public broadcasting entities.

Description	Unallowable NFFS		
	FY 2009	FY 2010	Total
Reported NFFS	$10,052,897	$10,467,275	$20,520,172
Unallowable NFFS:			
Premium Deductions	$826,061	$898,163	$1,724,224
Market Value	$151,748	$170,144	$321,892
Expense Deductions.	$52,769	$0	$52,769
FY Total	**$1,030,578**	**$1,068,307**	**$2,098,885**
IRR	0.064888	0.0621241	
CSG Overpayment	**$66,871**	**$66,369**	**$133,240**

Premium Expenses

Our review of membership and subscription revenues identified that the fair market value of high-end premiums (i.e. thank you gifts) given to donors for contributions were not deducted from membership revenues claimed as NFFS on FY 2009 and 2010 AFRs, as required by the CPB Guidelines. The AFR reconciliation work sheets prepared by the Foundation contained references to the need to deduct the fair market value of premiums that were given to donors except for premiums of insubstantial value. These deductions were not made even though the detailed general ledgers for the stations contained premiums accounts (titled Premiums - Development #6750-03) that included large expenses. These expenses are presented by station and fiscal year in Exhibit F.

CPB Financial Reporting Guidelines, Section 5 Completing AFR Schedule A, Direct Revenue, Line 10 contains a subsection titled NFFS Exclusions Value of High-end Premiums which states that "Grantees are required to deduct from NFFS the fair market value of high-end premiums (i.e. thank you gifts) that are exchanged with donors for contributions. Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts) to high-end premiums (e.g. boxed set CDs or DVDs, coffee table books, travel & lodging, gourmet foods & wines, tickets to performances, dinners or other events). However, Grantees must follow IRS guidelines (printed at the end of these line 10 instructions) for determining insubstantial value in quid pro quo contributions."

We questioned the entire amount of high-end premiums identified in the detailed general ledger accounts because the Foundation did not separate the costs of insubstantial premiums in its records. By not deducting the value of high-value premiums from membership revenues, NFFS was overstated $1,724,224 on the stations' FY 2009 and 2010 AFRs.

Special Fund-raising Revenues

Our review of special fund-raising revenues identified that WBAI claimed special fund-raising revenues from the sale of discount Broadway and off-Broadway show tickets even though the revenue received was less than the fair market value of the tickets. WBAI's AFR claimed a total of $321,892 as NFFS on their AFRs for FY 2009 and 2010, $151,748 and $170,144 respectively, as presented in Exhibit F.

CPB's Guidelines require that when a premium of more than inconsequential value is given in exchange for a contribution, the fair market value of the premium must be deducted from the contribution in order to determine if there was an NFFS value in the transaction. In this case, the NFFS would be equal to the amount of the contribution that was greater than the value of the premium given to the contributor.

A Saturday morning radio show host obtained free show tickets from friends in the industry that he sold on air in exchange for listener contributions. We were told that while the tickets all had face values listed on them, the contributors paid much less than the face value of the tickets. Ticket values ranged from $65 to $125 or more. This resulted in a $321,892 over-statement of NFFS because the contributions received from listeners were less than the fair market value of the tickets.

Special Fund-raising Expenses

The Foundation did not report special fund-raising revenues net of all direct expenses on the FY 2009 AFRs, for all five stations as required by CPB Guidelines. The AFR reconciliation worksheets prepared by the Foundation identified direct special fund-raising expenses (general ledger accounts #6751-03 Fund Drive - Dev and #6780-03 Other - Dev); however, these expenses were not netted against gross special fund-

raising revenue when preparing the 2009 AFRs. As a result, NFFS was overstated a total of $52,769 on the five stations' AFRs as presented in Exhibit F.

CPB Guidelines require that only net special fund-raising revenues (net of direct special fund-raising expenses) are eligible as NFFS. AFR Schedule A, Direct Revenue, Line 14, "Special fundraising activities" automatically presents the net of Line 14A "Gross special fundraising revenues" and Line 14B "Direct special fundraising expenses."

* * * * *

Foundation personnel told us that the various AFRs reporting errors were the result of new staff members preparing the AFRs. In addition, the Foundation's independent public accountant stated that he did not recognize the need to subtract the costs of high value premiums from membership revenue when conducting his attestation examination of the AFRs submitted to CPB.

Recommendations

1) We recommend that CPB management require the Foundation to take the following actions:

a) Identify the costs of high-end premiums recorded in general ledger account Premiums - Development #6750-03 and net them against the FY 2009 and 2010 membership revenues reported as NFFS for each station. Revise WBAI's FY 2009 and 2010 special fund-raising revenues by eliminating the NFFS resulting from the sale of Broadway and off-Broadway tickets. Net all direct special fund-raising expenses against direct fund-raising revenues for the FY 2009 AFRs for each station. Recalculate eligible NFFS based on these revisions to membership and fund-raising revenues.
b) Submit revised FY 2009 and 2010 AFRs for the five radio stations eliminating the unallowable direct revenues totaling $1,030,578 on the FY 2009 AFRs and $1,068,307 on the FY 2010 AFRs adjusted for corrected membership and special fund-raising revenues in recommendation 1a.
c) Recover $133,240 in excess CSG payments made to the Foundation radio stations during FYs 2011 and 2012 adjusted for corrected membership and special fund-raising revenues discussed in recommendation 1a.

Foundation Response

In response to this finding, Foundation officials stated that its finance staff followed the template that was reviewed and approved by its independent auditor who attested to the direct revenue each year although high-end premiums values were not deducted. The Foundation's response went on to describe the methods used in valuing high-end premiums for the FY 2011 AFR, as further described in its response to the draft report (Exhibit H). Regarding special fund-raising revenues, the Foundation's response stated that: "In the case where contributors received actual theater tickets, the face value, if any, on the tickets was much less than the purchase price from the theater."

OIG Review and Comment

Based on the Foundation's response, we consider recommendations 1a-c unresolved pending CPB management's decision. The Foundation acknowledged that they had not deducted the cost of high-end premiums from membership revenues, but they had changed their procedures for the 2011 AFR, with the approval of its independent public accountant. We did not evaluate the appropriateness of the changes made by the Foundation on its FY 2011 AFR reporting. The Foundation's response did not specifically address any of the three recommendations 1a-c in the draft report.

With respect to the sale of show tickets given in exchange for listener contributions; Foundation officials maintain that the face value of the tickets was much less than the purchase price from the theatre. However, the Saturday morning radio host told us that he obtained the tickets for free and that the station contributors paid much less than the face value of the tickets. In addition, a CPB official informed Foundation representatives that the fair market value of the premium (ticket) must be based on the ticket price or admission fee the general public would pay to attend these performances; this fair market value is what must be deducted from each contribution in order to determine if there is an NFFS value in the contribution.

The Foundation response did not address the finding related to deducting direct expenses from special fund-raising revenues on its 2009 AFRs. As reported this problem did not occur on the 2010 AFRs and Foundation officials acknowledged that the 2009 AFR reporting errors were the result of new staff members preparing the AFRs.

Discrete Accounting for Unrestricted CSG Funds

The Pacifica Foundation's accounting system did not separately identify the use of unrestricted CSG funds in accordance with CPB grant terms. The restricted portion of the CSG funds was discretely accounted for in the accounting system enabling us to verify the use of those funds for national programming. However, expenditures from the unrestricted portion of the CSGs were comingled with other station expenses, consequently we could not independently verify CPB expenditures without the assistance of the Foundation's accounting officials. These officials told us that they fully expended CSG grant funds during the year they were received on salaries, benefits and general operating expenses.

CPB's General Provisions and Eligibility Criteria for TV and 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. Furthermore:

- 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.

Finally, CPB's website provides further guidance stating: "Discrete accounting requires a unique code that identifies CSG funds – both 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 separate CPB expense accounts were not established in the general ledger to record the use of the unrestricted portion of the CSG funds. Expenditures of unrestricted CPB funds were comingled with other station revenues and expenses. We had to rely on Foundation accounting officials to identify the expenses charged to the unrestricted CSGs.

Foundation and station officials said they were aware of the need to segregate the restricted portion of the CSG and use it to purchase national programming, but were not aware of the requirement for discrete accounting of the unrestricted portion of the CSG.

Recommendations

2) We recommend that CPB management require the Foundation to*:*

   a) set-up appropriate accounts in its accounting system to discretely account for future unrestricted CSG revenues and expenditures, as required by CPB's Radio Community Service Grant General Provisions and Eligibility Criteria to facilitate an effective audit; and

   b) provide CPB with evidence of its corrective actions.

Foundation Response

In response to recommendation 2a, Foundation officials stated that the finance staff modified its accounting records to add the designation "07" for all expense items where the unrestricted portion of the CPB CSGs are expended**.**

OIG Review and Comment

Based on the Foundation's response, we consider recommendation 2a resolved but open pending CPB management's final decision to accept the Foundation's corrective action. The Foundation's response did not specifically address recommendation 2b. As

a result, we consider recommendation 2b unresolved until the Foundation's provides CPB with documentation (e.g., accounting reports, chart of accounts, etc.) demonstrating that discrete accounting is being used to account for all restricted and unrestricted CPB revenues and expenses.

Compliance with the Communications Act

Our examination found that the Foundation was not in full compliance with open meeting and open financial record requirements of the Act and CPB Certification Requirements for Station Grant Recipients. Further, the Foundation had not established operating procedures to document how its radio stations complied with CPB requirements.

Open Meetings

Our examination of compliance with open meeting requirements at the three stations tested (KPFA, WBAI and WPFW) found that:

- one station did not have evidence that advance notice requirements of open meetings were met,
- all three stations did not make quarterly announcements of their open meetings policies, and
- two stations did not document reasons for closing public meetings.

Specifically, we found that WBAI did not have evidence that open meeting announcements for the Local Station Board or the committees of the Local Station Board were made seven or more days prior to the meetings, as required by the Communications Act. While WBAI provided audio copies of its on-air announcements of upcoming Community Advisory Board (CAB) meetings and they told us that the announcements were always made at least seven days in advance of the meetings, we could not verify when they aired. The on-air announcements were not dated and there was no other evidence to demonstrate that they were aired seven or more days prior to the meeting dates, as required by the Act. Further, making on-air announcements of upcoming public meetings does not satisfy the statutory requirement for advance notice, as discussed below under minimum compliance requirements for "reasonable notice."

In addition, all three stations tested did not make on-air announcements at least three consecutive days each calendar quarter that explained the stations' open meeting policy and how the public could obtain information on the dates, times, and locations of upcoming meetings, as required by the Act. Finally, KPFA and WBAI did not maintain copies of written statements explaining the reasons for closing a meeting to the public pursuant to statutory exceptions.

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 statute also provides exceptions to the open meeting requirement. Closed sessions can be conducted to consider matters relating to individual employees, proprietary information, litigation, and other matters requiring the confidential advice of counsel, commercial or financial information obtained from a person on a privileged or confidential basis, or the purchase of property or services whenever the premature exposure of such purchase would compromise the business interests of any such organization.

If a session is closed to the public pursuant to these statutory exceptions, a written statement containing an explanation of the reasons for closing the meeting must be made publicly available within a reasonable period of time thereafter. The explanation for a closed meeting, however, does not have to be made available in the same manner as the notice of an open meeting.

Open Financial Records

Our examination found that one of the three stations tested did not have all the required financial reports available to the public. We found that while KPFA had a copy of the Foundation’s audited financial statements available at the station; they did not have a copy of its AFRs, as required by the Act.

Section 396(k) (5) of the Communications Act provides that "Funds may not be distributed pursuant to this subsection to any public telecommunications entity that does not maintain for public examination copies of the annual financial and audit reports, or other information regarding finances, submitted to the Corporation pursuant to subsection (l)(3)(B)."

Documenting Compliance with Requirements

Our examination found that the Foundation had not developed documentation or written procedures that explain how its stations comply with the open meeting, open financial records, CAB, EEO, or donor list and political activities requirements of the Act.

CPB's Certification Requirements for Station Grant Recipients provides guidance to establish written procedures addressing, open meetings, open financial records, CAB, EEO, and donor list and political activities requirements. Each recipient of a CPB station grant should develop documentation explaining how the station complies with these requirements.

This documentation should address the procedures for conducting open meetings, including CAB 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.

Such procedures should specify how the station actually goes about complying with each of the five sections of the certification requirements. These procedures not only provide operating guidance for station officials, but also provide the public with information about how the station complied with these grant requirements.

* * * * *

Our discussions with Foundation officials and the managers at the three stations tested disclosed they were not fully aware of the Act's requirements.

Recommendations

3) We recommend that CPB management require the Foundation to*:*

   a) take appropriate action to fully comply with all requirements of the open meetings and open financial records requirements;
   b) document procedures for complying with all five requirements of the Communications Act (i.e., open meetings, open financial records, Community Advisory Board, EEO, and donor lists; and
   c) provide CPB with evidence to show that its five radio stations are in compliance

with the requirements for open meetings and open financial records, as well as evidence that procedures have been developed and implemented to ensure compliance with the Acts requirements.

Foundation Response

In response to this finding, Foundation officials stated that although the Foundation does currently have open meetings, the National Pacifica Board will pass a resolution at their September meeting requiring that each station follow the requirements and keep evidence of the exact wording and date of compliance, as well as audio copies of announcements. The proposed resolution will include the following specific CPB requirements for open meetings, open financial records, EEO, and donor lists.

- Each station will keep documentation including audio copies of the quarterly announcements of open meetings with the time and date that they were announced. These announcements will be aired for at least three consecutive days each quarter. They will include information as to how the public can obtain information regarding specific dates, times, and locations.

- Each station will be required to announce Pacifica National Board (PNB), Local Station Boards, and other committee meetings at least seven days in advance both on air and on the station's website. Documentation will be maintained of a recorded copy of the on air announcement with the time and date and a copy of the web announcement. Meetings are currently listed on the Pacifica calendar available by a link from the Pacifica website, www.pacifica.org or directly at www.kpftx.org.

- Stations will be required to include in their web announcements that persons can request that they be personally notified of meetings.

- All stations and the PNB will provide documentation of reasons for all closed meetings.

- Stations will be required to provide the date and time the announcement was aired for Community Advisory Board meetings.

- Each station is currently required to have financial records (i.e., audited financial report and other financial records) available, as well as, the AFR online at www.pacifica.org and on each station website.

- Each station that has more than five full time employees is required to file an annual EEO report with CPB. Copies of these reports are maintained in the National Office and at each station.

- Pacifica does not share or rent donor lists to anyone and each station must keep a record of all fund-raising activities utilizing donor lists.

The proposed resolution will also place additional requirements on the five Pacifica stations to ensure future compliance with CPB guidelines as discussed further in the Foundation's response to the draft report provided in Exhibit H.

OIG Review and Comment

Based on the Foundation's response, we consider recommendations 3a-c unresolved pending passage of the proposed resolution at the September meeting of the Foundation's Board of Directors. Additionally, the Foundation must establish and implement, written operating policies addressing the five compliance requirements addressed in recommendation 3b. Finally, the Foundation must provide CPB with copies of the written policies, as well as evidence that the five stations are complying with the open meetings and open financial records requirements addressed in recommendation 3c.

Exhibit A

CPB Grant Awards and Payments to Pacifica Foundation Radio Stations Fiscal Years 2009 – 2010

Grant Type	*Payment Dates*	*KPFA*	*KPFK*	*KPFT*	*WBAI*	*WPFW*	*TOTAL*
FY09 CSG Unrestricted	October-08	$166,625	$141,143	$59,307	$132,971	$88,070	$588,116
	March-09	$166,625	$141,143	$59,307	$132,970	$88,070	$588,115
FY09 CSG Restricted	October-08	$58,880	$49,875	$20,958	$46,987	$31,121	$207,821
	March-09	$58,879	$49,874	$20,957	$46,987	$31,120	$207,817
FY10 CSG Unrestricted	October-09	$110,520	$129,129	$57,653	$117,729	$103,934	$518,965
	March-10	$110,519	$129,128	$57,653	$117,729	$103,933	$518,962
FY10 CSG Restricted	October-09	$39,460	$46,104	$20,584	$42,034	$37,108	$185,290
	March-10	$39,459	$46,103	$20,584	$42,033	$37,108	$185,287
Total CSGs		**$750,967**	**$732,499**	**$317,003**	**$679,440**	**$520,464**	**$3,000,373**
Fiscal Stabilization grant	January-10	$39,197	$33,834	$15,916	$35,782	$23,432	148,161
Total Grant Payments		**$790,164**	**$766,333**	**$332,919**	**$715,222**	**$543,896**	**$3,148,534**

Note: Grant revenue is recognized when expenses are incurred. As a result Exhibit A cash receipts were not necessarily reported as revenues on the AFRs (Exhibits B and C) in the year received.

Exhibit B

Pacifica Foundation Radio Stations
Annual Financial Reports for Fiscal Year 2009

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Schedule A, Source of Income:						
2	Amounts provided by Public Broadcasting Entities	$361,031	$340,121	$160,529	$354,915	$193,381	$1,409,977
2.A.	CPB-CSG	$243,273	$240,373	$118,614	$260,941	$171,140	$1,034,341
2.B.	CPB-Digital Project Grants					($40,000)	($40,000)
2.C.	CPB-Restricted CSG	$117,758	$99,748	$41,915	$98,974	$67,241	$425,636
2.I.	Other PBE funds (specify)				($5,000)	($5,000)	($10,000)
3	Local Boards and departments of education	$4,050					$4,050
5	State colleges and universities	$1,619					$1,619
8	Foundation and nonprofit associations	$105,234	$1,000	$10,329	$33,613	$12,000	$162,176
8.a.	How much of the revenue was received as underwriting?						
9	Business and Industry	$9,310					$9,310
9.a.	How much of the revenue was received as underwriting?						
10	Memberships and subscriptions	$2,666,512	$2,993,818	$866,770	$1,524,976	$1,047,745	$9,099,821
14	Special fund-raising activities	$118,948	$20,243	$32,665	$190,109	$10,809	$372,774
14.A.	Gross special fund-raising activities	$250,671	$27,078	$55,536	$240,501	$44,655	$618,441
14.B.	Direct special fund-raising expenses	$131,723	$6,835	$22,871	$50,392	$33,846	$245,667
15	Passive Income	$17,194	$1,274	$348		$135	$18,951
15.A.	Interest and dividends	$17,194	$1,274	$348		$135	$18,951
16	Gains and losses on investments, charitable trusts and gift annuities		($1,586)				($1,586)
16.C.	Unrealized gains/losses on investments		($1,586)				($1,586)
19	Gifts and Bequests from major donors	$165,952	$44,031	$41,961	$119,619	$20,216	$391,779
20	Other Direct Revenue	$2,250	$1,402	$325			$3,977
21	**Total Revenue**	**$3,583,823**	**$3,407,138**	**$1,135,798**	**$2,273,624**	**$1,318,132**	**$11,718,515**

Exhibit B (continued)

Pacifica Foundation Radio Stations
Annual Financial Reports for Fiscal Year 2009

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Adjustments to Revenue						
23	Public broadcasting revenue	$361,031	$340,121	$160,529	$354,915	$193,381	$1,409,977
25	Other revenue on Line 21 not meeting source, form, purpose or recipient criteria	$11,560					$11,560
26	Other automatic subtractions from total revenue	$131,723	$5,249	$22,871	$50,392	$33,846	$244,081
26.B.	Special fund-raising event expenses-limited to the lesser of lines 14a or 14b	$131,723	$6,835	$22,871	$50,392	$33,846	$245,667
26.E.	Unrealized investment and actuarial gains/losses		($1,586)				($1,586)
27	**Total Direct Nonfederal Financial Support**	**$3,079,509**	**$3,061,768**	**$952,398**	**$1,868,317**	**$1,090,905**	**$10,052,897**
	Schedule B, Indirect Administrative support	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule C, In-Kind Contributions - Services and Other Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule D, In-Kind Contributions - Property and equipment	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule E, Expenses						
	Program Services						
1	Programming and Production	$1,670,557	$1,082,161	$234,705	$857,258	$331,271	$4,175,952
2	Broadcasting and Engineering	$599,497	$377,438	$93,839	$832,088	$245,362	$2,148,224
3	Program Information and Promotion	$114,318	$47,687	$21,823	$46,352	$12,036	$242,216
	Support Services						
4	Management and general	$1,293,056	$1,016,466	$458,466	$1,008,495	$786,076	$4,562,830
5	Fund-raising and Membership Development	$826,327	$891,909	$405,129	$621,213	$569,810	$3,314,388
8	**Total Expenses**	**$4,503,755**	**$3,415,661**	**$1,213,962**	**$3,365,406**	**$1,944,555**	**$14,443,339**

Exhibit B (continued)

Pacifica Foundation Radio Stations
Annual Financial Reports for Fiscal Year 2009

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Investment in Capital Assets						
9	Total Capital assets Purchased or Donated	$77,787	$24,147	$35,729	$0	$0	$137,663
9.a.	Land and Buildings	$36,470	$10,000	$14,895	$0	$0	$61,365
9.b.	Equipment	$41,317	$0	$17,533	$0	$0	$58,850
9.c.	All Other	$0	$14,147	$3,301	$0	$0	$17,448
10	**Total Expenses and Investment in Capital Assets**	**$4,581,542**	**$3,439,808**	**$1,249,691**	**$3,365,406**	**$1,944,555**	**$14,581,002**
	Additional Information						
11	Total Expenses (Direct only)	$4,503,755	$3,415,661	$1,213,962	$3,365,406	$1,944,555	$14,443,339
13	Investment in Capital Assets (Direct only)	$77,787	$24,147	$35,729	$0	$0	$137,663
	Schedule F						
1	Data from AFR	$3,583,823	$3,407,138	$1,135,798	$2,273,624	$1,318,132	$11,718,515
1.a.	Schedule A, Line 21						
1.e.	**Total from AFR**	**$3,583,823**	**$3,407,138**	**$1,135,798**	**$2,273,624**	**$1,318,132**	**$11,718,515**

Exhibit C

Pacifica Foundation Radio Stations
CPB Annual Financial Reports Fiscal Year 2010

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Schedule A, Source of Income:						
2	Amounts provided by Public Broadcasting Entities	$339,155	$384,298	$172,390	$355,307	$305,515	$1,556,665
2.A.	CPB-CSG	$260,236	$292,091	$131,222	$271,240	$231,299	$1,186,088
2.C.	CPB-Restricted CSG	$78,919	$92,207	$41,168	$84,067	$74,216	$370,577
3	Local boards & departments of education or other local government or agency	$7,650					$7,650
5	State colleges and universities	$2,181				$25,000	$27,181
8	Foundation and nonprofit associations	$2,500			$9,000	$10,650	$22,150
8.A.	How much of the revenue was received as underwriting? (2009 - $3,600)						
9	Business and Industry	$18,278		$800			$19,078
9.A.	How much of the revenue was received as underwriting?						
10	Memberships and subscriptions	$2,460,990	$2,163,851	$849,506	$1,945,074	$1,061,130	$8,480,551
12	Subsidiaries and other activities unrelated to public broadcasting		$495	$214		$21,324	$22,033
14	Special fund-raising activities	$117,944	$88,766	$26,233	$105,910		$338,853
14.A.	Gross special fund-raising activities	$225,641	$138,393	$56,556	$185,211	$7,609	$613,410
14.B.	Direct special fund-raising expenses	$107,697	$49,627	$30,323	$79,301	$16,809	$283,757
15	Passive Income	$29,400	$1,112	$164		$1,174	$31,850
15.A.	Interest and dividends	$29,400	$1,112	$164		$1,174	$31,850
16	Gains and losses on investments, charitable trusts and gift annuities	($243)	$997				$754
16.B.	Realized gains/losses on investments (other than endowment funds)	($243)					($243)
16.C.	Unrealized gains/losses on investments		$997				$997
18	Capital Fund Contributions				$9,200		$9,200
19	Gifts and Bequests from major donors	$450,166	$398,984	$128,120	$455,457	$126,644	$1,559,371
20	Other Direct Revenue						
21	**Total Revenue**	**$3,535,718**	**$3,088,110**	**$1,207,750**	**$2,959,249**	**$1,559,046**	**$12,349,873**

Exhibit C (continued)

Pacifica Foundation Radio Stations
CPB Annual Financial Reports Fiscal Year 2010

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Adjustments to Revenue						
23	Public broadcasting revenue	$339,155	$384,298	$172,390	$355,307	$305,515	$1,556,665
25	Other revenue on Line 21 not meeting source, form, purpose or recipient criteria	$28,109	$195	$1,014		$21,324	$50,642
26	Other automatic subtractions from total revenue	$107,454	$50,604	$30,323	$79,301	$7,609	$275,291
26.B.	Special fund-raising event expenses-limited to the lesser of lines 14A or 14B14a or 14b	$107,697	$49,627	$30,323	$79,301	$7,609	$274,557
26.E.	Unrealized investment and actuarial gains/losses		$977				$977
27	**Total Direct Nonfederal Financial Support**	**$3,061,000**	**$2,653,013**	**$1,004,023**	**$2,524,641**	**$1,224,598**	**$10,467,275**

	Schedule B, Indirect Administrative support	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule C, In-Kind Contributions - Services and Other Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule D, In-Kind Contributions - Property and equipment	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Schedule E, Expenses						
	Program Services						
1	Programming and Production	$1,525,695	$1,084,221	$283,733	$935,233	$342,479	$4,171,361
2	Broadcasting and Engineering	$529,805	$331,523	$109,685	$1,001,408	$253,636	$2,226,057
3	Program Information and Promotion	$95,812	$42,332	$25,696	$65,567	$51,284	$280,691
	Support Services						
4	Management and general	$1,084,527	$962,229	$530,200	$1,042,759	$757,611	$4,377,326
5	Fund-raising and Membership Development	$919,754	$820,899	$339,901	$697,239	$485,551	$3,263,344
8	**Total Expenses**	**$4,155,593**	**$3,241,204**	**$1,289,215**	**$3,742,196**	**$1,890,561**	**$14,318,769**

Exhibit C (continued)

Pacifica Foundation Radio Stations
CPB Annual Financial Reports Fiscal Year 2010

Line	Description	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
	Investment in Capital Assets						
9	Total Capital assets Purchased or Donated	$10,026	$20,383	$13,649	$16,000		$60,058
9.b.	Equipment	$2,120		$13,649			$15,769
9.c.	All Other	$7,906	$20,383		$16,000		$44,289
10	**Total Expenses and Investment in Capital Assets**	**$4,165,619**	**$3,261,587**	**$1,302,864**	**$3,758,196**	**$1,890,561**	**$14,378,827**
	Additional Information						
11	Total Expenses (Direct only)	$4,155,593	$3,241,204	$1,289,215	$3,742,196	$1,890,561	$14,318,769
13	Investment in Capital Assets (Direct only)	$10,026	$20,383	$13,649	$16,000		$60,058
	Schedule F						
1	Data from AFR						
1.a.	Schedule A, Line 21	$3,535,718	$3,088,110	$1,207,750	$2,959,249	$1,559,046	$12,349,873
1.e.	**Total from AFR**	**$3,535,718**	**$3,088,110**	**$1,207,750**	**$2,959,249**	**$1,559,046**	**$12,349,873**

Exhibit D

Summary of Non-Federal Financial Support
Reported to CPB by Pacifica Foundation Radio Stations
Fiscal Year 2009

AFR Schedule	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
Direct Revenue (Schedule A)	$3,079,509	$3,061,768	$952,398	$1,868,317	$1,090,905	$10,052,897
Indirect Administrative Support (Schedule B)	0	0	0	0	0	
In-Kind Contributions (Schedules C&D)						
a. Services and Other Assets (Schedule C)	0	0	0	0	0	
b. Property and equipment (Schedule D)	0	0	0	0	0	
TOTAL NFFS	**$3,079,509**	**$3,061,768**	**$952,398**	**$1,868,317**	**$1,090,905**	**$10,052,897**

Exhibit E

Summary of Non-Federal Financial Support
Reported to CPB by Pacifica Foundation Radio Stations
Fiscal Year 2010

AFR Schedule	KPFA	KPFK	KPFT	WBAI	WPFW	TOTAL
Direct Revenue (Schedule A)	$3,061,000	$2,653,013	$1,004,023	$2,524,641	$1,224,598	$10,467,275
Indirect Administrative Support (Schedule B)	0	0	0	0	0	
In-Kind Contributions (Schedules C&D)						
a. Services and Other Assets (Schedule C)	0	0	0	0	0	
b. Property and equipment (Schedule D)	0	0	0	0	0	
TOTAL NFFS	**$3,061,000**	**$2,653,013**	**$1,004,023**	**$2,524,641**	**$1,224,598**	**$10,467,275**

Exhibit F

Calculation of CSG Overpayments by Station and Fiscal Year

	KPFA	KPFK	KPFT	WBAI	WPFW	Total
Fiscal Year 2009:						
Premiums	$129,632	$362,075	$50,506	$108,631	$175,217	$826,061
Market Value-Tickets	0	0	0	$151,748	0	$151,748
Direct Expenses	$2,174	$15,660	$14,829	$16,703	$3,403	$52,769
FY 2009 TOTAL	**$131,806**	**$377,735**	**$65,335**	**$277,082**	**$178,620**	**$1,030,578**
FY 2009 IRR	*6.4888%*	*6.4888%*	*6.4888%*	*6.4888%*	*6.4888%*	
FY 09 CSG Overpayment	**$8,553**	**$24,510**	**$4,239**	**$17,979**	**$11,590**	**$66,871**
Fiscal Year 2010:						
Premiums	$252,655	$263,872	$40,395	$212,390	$128,851	$898,163
Market Value-Tickets	0	0	0	$170,144	0	$170,144
FY 2010 TOTAL	**$252,655**	**$263,872**	**$40,395**	**$382,534**	**$128,851**	**$1,068,307**
FY 2010 IRR	*6.21241%*	*6.21241%*	*6.21241%*	*6.21241%*	*6.21241%*	
FY10 CSG Overpayment	**$15,696**	**$16,393**	**$2,510**	**$23,765**	**$8,005**	**$66,369**
FY 2009-2010 Total Overpayments	**$24,249**	**$40,903**	**$6,749**	**$41,744**	**$19,595**	**$133,240**

Exhibit G

Scope and Methodology

We performed this examination to determine Pacifica Foundation's compliance with CPB's NFFS reporting requirements; Certification of Eligibility requirements; selected provisions of the Communications Act of 1934, as amended; and, grant spending requirements.

To answer our examination objectives we conducted analytical procedures and analysis of the AFRs, AFR work sheets, CSG expenses, and the detailed general ledgers for all five radio stations. We also conducted detailed audit tests at KPFA in Berkeley, California, WBAI in New York City, and WPFW in Washington, DC.

The scope of the audit included tests of the five radio stations' AFRs, Schedule A, and the data reported on them for the fiscal years ended September 30, 2009, and 2010. For those years we performed financial reconciliations and comparisons to underlying accounting records and the audited financial statements to verify transactions recorded in the general ledger and reported on the AFRs. Over 80 percent of the Foundation radio stations' NFFS is from individual membership contributions received through a "lock box" company. We evaluated compliance with CPB Guidelines, by reviewing the documentation for the higher risk revenue category of special fund-raising activities and its related expenses. We tested $618,441 of the $953,076 of non-membership NFFS claimed on the five radio stations' FY 2009 AFRs and $613,410 of the $1,986,724 non-membership NFFS claimed on the FY 2010 AFRs.[1]

We reviewed allowability of expenditures totaling $1,073,974 of the $3,148,534 (34 percent) that the Foundation radio stations received in CPB grant funds for FYs 2009 and 2010 shown in Exhibit A to determine compliance with grant agreement terms. Because CSGs have a two-year grant spending period, we reviewed expenditures through September 30, 2011.

We reviewed documentation of KPFA, WBAI, and WPFW's compliance with the Act requirements. Specifically, we reviewed their public inspection files, Foundation Board of Director's (BOD) meeting minutes, Community Advisory Board (CAB) meeting minutes, and evidence that the meetings of all Foundation Boards and Committees were announced to the public. We reviewed the open financial records file and Equal Employment Opportunity (EEO) documents to ensure they were available for general public inspection in compliance with the Act. Finally, we reviewed KPFA, WBAI, and WPFW's compliance with CPB's donor list and political activities requirements.

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[1] We tested 6.14 percent of FY 2009 NFFS revenues and 5.86% of FY 2010 NFFS revenues.

To assist in our audit planning and assure ourselves that we could rely on the work performed by Foundation's independent public accountant (IPA), we met with representatives of the firm that conducted the FY 2010 financial statement audit and attestation work on the radio stations AFRs. We reviewed their tests of internal controls and their fraud risk assessment analysis. For the attestation review, we also reviewed their test work on the accuracy of the radio stations AFRs.

We gained an understanding of the Foundation's internal controls over the preparation of the AFRs and cash receipts as part of our overall risk assessment. We used this understanding to plan our audit work and select those areas that posed the greatest risk to the accurate reporting of NFFS.

We performed this audit as a compliance attestation examination under *Government Auditing Standards*. We performed our audit field work between January and June 2012.

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Pacifica Foundation

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August 20, 2012

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

Re: Pacifica Response

Audit of CPB Grants Awarded to Pacifica Foundation Radio Stations KPFA, KPFK, KPFT, WBAI, and WPFW, for the Period October 1, 2008 – September 30, 2011, Report No. ASR 1202-XXXX

Dear Mr. Richardson:

Attached is the Pacifica Foundation response to the findings and recommendations outlined in your letter dated July 19, 2012. During the audit of Pacifica Foundation's operation the following findings were identified by the audit team:

- Over-stated NFFS of $2,098,885 resulting in excessive CPB CSG grant payments of $133,240, classified as funds put to better use for reporting purposes;
- Expenditures from the unrestricted portion of the CPB CSGs were not discretely accounted for in the accounting records of the five radio stations, they were comingled with other expense transactions; and
- Noncompliance with statutory provisions of the Communications Act for open meetings, open financial records, and documenting operating procedures.

Our responses follow:

CPB

Overstated NFFS of $2,098,885 resulting in excessive CPB CSG grant payments of $133,240, classified as funds put to better use for reporting purposes.

Pacifica Foundation Response:

The Finance Staff followed the template that was reviewed and approved by the Independent Auditor who attested to the direct revenue each year although high-end premiums values were not deducted.

In the submission of the 2011 AFR, the Foundation used the following method and submitted the AFRs for approval by the Independent Accountant with those high-end premium values deducted.

Method for valuing high-end premiums for 2011 AFR

The source of the fair market value of the premiums is the membership database (Memsys) for the following stations - KPFT, WPFW, and KPFA. These stations along with KPFK have been consistent in maintaining the database by inputting the fair market value of all premiums. Memsys is also the source for the forms that are sent to contributors to determine their tax deductions for the annual donations to the stations.

Due to the large number of high end premiums from a programmer, Gary Null, that only raises funds on WBAI and KPFK, the fair market value was calculated for KPFK and WBAI by first listing and reviewing all Null premiums with cost, pledge value, and fair market value. The fair market value for all premiums was then calculated by adding the cost of all premiums (without Gary Null) to the fair market value of all Gary Null premiums.

CPB

We were told that while the tickets all had face values listed on them contributors paid much less than the face value of the tickets.

Pacifica Foundation Response:
In the case where contributors received actual theater tickets, the face value, if any, on the tickets was much less than the purchase price from the theater.

CPB

Expenditures from the unrestricted portion of the CPB CSGs were not discretely accounted for in the accounting records of the five radio stations, they were comingled with other expense transactions.

Pacifica Foundation Response:

The Finance Staff added in the accounting records of the Dynamics GP accounting software the designation of "07" to use for all expense items where the unrestricted portion of the CPB CSGs are expended.

In summary, management responded to the preliminary draft of the report and implemented the practices that bring the Foundation in compliance with specified requirements.

CPB

Noncompliance with statutory provisions of the Communications Act for open meetings, open financial records, and documenting operating procedures.

Pacifica Foundation Response:

Compliance with the Communications Act Requirements

CPB requires that the Pacifica Foundation fully comply with open meeting and open financial record requirements of the Act and CPB Certification Requirements for Station Grants Recipients. Further, CPB requires that the Foundation must provide evidence of operating procedures documenting how its radio stations comply with CPB requirements.

- Although the Foundation does currently have open meetings, the National Pacifica Board will pass a resolution requiring that each station follow the requirements and keep evidence of the exact wording and date of compliance as well as audio copies of announcements. Telephone meetings are available to the public via streaming. The resolution will include the following:

    - Each station is currently required to provide the National Office with an audio copy of the on-air announcement for each quarterly CAB meeting along with the roster and minutes of each CAB meeting. Stations will be required to provide the date and time the announcement was aired.

    - Each station will keep documentation including audio copies of the quarterly announcements of open meetings with the time and date that they were announced. These announcements will be aired for at least three consecutive days each quarter. They will include information as to how the public can obtain information regarding specific dates, times, and locations.

    - Each station will be required to announce PNB, LSB and other committee meetings at least seven days in advance both on air with a recorded copy of the announcement and the time and date aired and on the station website with a copy of the web announcement. Meetings are currently listed on the Pacifica calendar available by a link from the Pacifica website, www.pacifica.org or directly at www.kpftx.org.

    - Stations will be required to include in their web announcements that persons can request that they be personally notified of meetings.

    - Pacifica keeps archives of meetings that can be accessed at the Pacifica website by clicking on PNB, then calendar, then archive or directly at http://kpftx.org/archive.php.

- The statute requires that closed meetings can be conducted to consider matters relating to individual employees, proprietary information, litigation, and other matters requiring the confidential advice of counsel, commercial for financial information obtained from a person on a privileged or confidential basis, or the purchase of property or services whenever the premature exposure of such purchase would compromise the business interests of any such organization. All stations and the PNB will provide documentation of reasons for all closed meetings.

- The Communications Act requires that every station have a Community Advisory Board.
  - Each Pacifica station has a CAB that meets a minimum of quarterly. Each station is currently required to provide the National Office with an audio copy of the on-air announcement for each quarterly CAB meeting along with the roster and minutes of each CAB meeting.
  - Stations will be required to provide the date and time the announcement was aired.
- The Communications Act requires that each station have a copy of the audited financial report and other financial records.
  - Each station is currently required to have financial records available.
  - The National Office will require the General Manager of each station to submit a statement that the latest AFR is in the Public File.
  - In addition the AFR is available online at www.pacifica.org and on each station website.
- The Communications Act requires that each station must comply with the Commission's regulations concerning equal employment opportunity.
  - Each station that has more than five full time employees is required to file an annual report with the EEO. Copies of these reports are maintained in the National Office and at each station.
- The Communications Act requires that each station must comply with donor list and political activities requirements.
  - Pacifica requires that all stations comply with all IRS regulations regarding donor lists and political activities.

- The Communications Act requires that each station must comply with donor list and political activities requirements.
    - Pacifica requires that all stations comply with all IRS regulations regarding donor lists and political activities.
    - Pacifica does not share or rent donor lists to anyone.
    - Each station must keep a record of all fund raising activities utilizing donor lists.

In summary, the Foundation and the Pacifica stations understand the obligation to fully comply with all CPB regulations. We have instituted the process for necessary changes. The Pacifica National Board will address these issues in a resolution at their September meeting.

The Pacifica Foundation believes that this response addresses the concerns and findings identified by the audit team. If you believe that we have not fully addressed the findings and recommendations of the audit, please notify me with any questions and/or concerns.

On behalf of the Pacifica National Board and Chair Summer Reese, I would like to take this opportunity to express our appreciation for CPB's continuing support of Pacifica and its radio stations. We believe that Pacifica and its stations provide a valuable service to the listening public in five of the ten largest radio markets as well as on the Internet. Without continued support from CPB, this service would not be possible.

Sincerely,

Arlene Engelhardt
Executive Director

LaVarn Williams
Chief Financial Officer

cc: Robert Winteringham, Deputy General Counsel, CPB
Mark Erstling, Senior Vice President, System Development & Media Strategy, CPB
Bruce Theriault, Senior Vice President, Radio, CPB