

CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL

EXAMINATION OF
CITY COLLEGES OF CHICAGO, WYCC-TV
FOR FISCAL YEARS 2010-2011

REPORT NO. AST1205-1209

September 27, 2012

A handwritten signature in blue ink that reads "William J. Richardson III". The signature is written in a cursive style and is positioned above a horizontal line.

for **Kenneth A. Konz**
Inspector General



Corporation
for Public
Broadcasting

Office of Inspector General

Date: September 27, 2012

To: Robert M. Winteringham, Deputy General Counsel

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

Subject: Examination of City Colleges of Chicago, WYCC-TV for Fiscal Years
2010-2011, Report No. AST1205-1209

We have completed the examination of the Corporation for Public Broadcasting (CPB) grants awarded to City Colleges of Chicago (CCC), licensee of WYCC-TV (WYCC), for the period October 1, 2009 – September 30, 2011. The objectives of this examination were to determine whether WYCC: a) claimed Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (the Act); and c) expended CPB grant funds in accordance with grant agreement requirements. We performed our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology is discussed in Exhibit I.

Our examination found that WYCC:

- over-stated NFFS by \$2,382,835 (\$1,271,917 in FY 2010 and \$1,110,918 in FY 2011) for indirect support, which resulted in estimated Community Service Grant (CSG) overpayments of \$273,692 (\$146,092 in FY 2012 and \$127,600 for FY 2013); and
- did not make quarterly on-air announcements explaining the station's open meeting policy or establish a written policy on Donor List and Political Activities requirements of the Communications Act.

In response to the draft report, CCC officials concurred that in calculating both institutional and physical plant support to report indirect administrative support, accounting officials did not adjust either calculation for cost groups that did not benefit the operations of the station. In addition, CCC's response noted that they did not claim any occupancy value in its submissions for either year. Finally, CCC strongly disagreed with the cost group adjustments presented in the draft audit report. CCC's written response to the draft report is presented in Exhibit J.

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

Based on CCC's response to the draft report, we consider recommendation 1 resolved but open pending CPB's management decision and collection of overpayments. Based on CCC's response recommendations 2-5 are unresolved, pending CPB management's decision on the recommendations.

BACKGROUND

WYCC broadcasts television programming 24 hours a day and features a mix of instructional, informational and educational programs. Primary funding for WYCC is provided by City Colleges of Chicago, grants from the Corporation for Public Broadcasting, and the State of Illinois. WYCC also receives viewer, foundation and corporate support through donations, matching gifts and underwriting. WYCC employs an ethnically and culturally diverse staff of 40 professionals, speaking over 12 different languages, with extensive backgrounds in broadcast management, production and engineering.

CSG award amounts are determined by the NFFS reported by a station on its AFR. The CSG calculation process starts with amounts appropriated for the television CSG pool adjusted by the base grant, as well as distance and local grant amounts. 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 television 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 WYCC's FY 2010 AFR to determine the amount of its FY 2012 CSG award to WYCC.

During FYs 2010 and 2011 WYCC received CPB grants totaling \$2,000,791 (\$1,895,052 in CSG grants, \$37,059 in Interconnection grants, and \$68,680 In Fiscal Stabilization grants) per Exhibit A. WYCC recognizes revenues when funds are spent and are reported on its AFR based on CCC's fiscal year, which covers the period July 1st to June 30th of each year. WYCC's AFRs reported total revenues of \$16,531,773 (total revenues and indirect administrative support) and CPB revenues of \$2,140,625, per Exhibit B. WYCC reported total NFFS of \$14,284,093 (\$8,743,443 in FY 2010 and \$5,540,650 in FY 2011), as presented in Exhibit C.

CSG grant funds can be spent over a two-year period. The FY 2010 grant can be spent over the two-year period from October 1, 2009 through September 30, 2011 and the FY 2011 grant from October 1, 2010 through September 30, 2012.

RESULTS OF REVIEW

We examined WYCC's management's assertions of compliance with CPB's CSG grant agreement terms, Certification of Eligibility requirements, Act requirements, and NFFS financial reporting guidelines for the periods ending June 30, 2010 - 2011.

Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

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

Our examination disclosed the following material noncompliance issues with CPB's CSG grant agreement terms, Certification of Eligibility requirements, and NFFS financial reporting guidelines applicable to the periods ending June 30, 2010 and 2011.

Our examination found that WYCC:

- over-stated NFFS by \$2,382,835 (\$1,271,917 in FY 2010 and \$1,110,918 in FY 2011) for indirect support, which resulted in estimated CSG overpayments of \$273,692 (\$146,092 in FY 2012 and \$127,600 for FY 2013); and
- did not make quarterly on-air announcements explaining the station's open meeting policy or establish a written policy on Donor List and Political Activities requirements of the Communications Act.

In our opinion, because of the effect of the noncompliance described above, WYCC has not fully complied with the aforementioned requirements for the periods ending June 30, 2010 and 2011.

FINDINGS AND RECOMMENDATIONS

Over-Stated NFFS for Indirect Administrative Support

Our review of NFFS reported on Schedule B of the AFRs found that CCC claimed indirect costs for both institutional support and physical plant support using the Schedule B Worksheet. However, in calculating both institutional and physical plant support, accounting officials did not adjust either calculation for the costs groups that did not benefit the operations of the station. As a result, NFFS was over-stated by \$2,382,835 (\$1,271,917 in FY 2010 and \$1,110,918 for FY 2011) as shown on Exhibit H, resulting in estimated CSG overpayments of \$273,692.¹

¹ Overpayment was calculated using FY 2010 NFFS times FY 2012 IRR of 11.4869 percent. FY 2013 overpayment was estimated using FY 2011 NFFS times FY 2012 IRR, pending approval of final FY 2013 IRR.

CCC reported institutional support of \$65,611,914 in FY2010 and \$65,531,438 in FY 2011. However, CCC should have reported \$37,711,525 in FY2010 and \$27,978,313 in FY 2011 for institutional support based on CCC's response to the draft report eliminating the costs groups that did not benefit the operations of the station, as shown on Exhibits D and E. Similarly, CCC reported physical plant support of \$28,977,237 in FY2010 and \$21,805,364 in FY 2011. However, CCC should have reported \$2,615,761 in FY2010 and \$3,147,415 in FY 2011, for physical plant support based on adjustments identified in CCC's response to the draft report eliminating the costs groups that did not benefit the station, as shown on Exhibits F and G. Additionally, CCC's response to the draft report claimed occupancy value of \$519,991 (\$258,459 for FY 2010 and \$261,532 for FY 2011) not previously claimed on its FYs 2010 and 2011 AFRs.

CPB's Financial Reporting Guidelines for Preparing the Annual Financial Report (AFR), Grantee Fiscal Year 2010 Edition, Part III, Section 6, Schedule B – Indirect Administrative Support instructions for using the Basic Method requires stations to determine the cost groups benefiting the station. The cost groups must meet the following criteria:

1. services are an essential part of station operations;
2. services are continuous and ongoing in support of the station; and
3. station uses the services or is required to use the services provided.

Further, CPB's guidelines for completing Line 2c.3. on the Schedule B Worksheet – Basic Method require that cost groups that do not benefit the operations of the public broadcasting station be deducted from the costs of the licensee's institutional support. Similar guidance applies to completing the physical plant support worksheet.

CCC did not deduct the cost groups that did not benefit the station in calculating the Institutional and Physical Plant support claimed on schedule B lines 2c.4 and 3d.4 on the FY 2010 and FY 2011 AFRs, "Cost Benefiting Station operations." The cost groups for the six CCC campuses and the District Office (DO) were used to calculate Schedule B expenses. However, based on our review and discussions with CCC's accounting officials we found that only selected DO cost groups actually benefited station operations. We discussed this finding with CCC accounting officials and they acknowledged that in preparing the AFR, Schedule B Worksheet they did not adjust their calculation of indirect support by deducting those cost centers that did not benefit the station.

As a result, in response to the draft report CCC's management recalculated the institutional and physical plant support claimed on schedule B lines 2c.4 and 3d.4 on the FY 2010 and FY 2011 AFRs to exclude cost centers that did not benefit the station. Additionally, CCC identified \$519,991 in occupancy value for its space usage in the Kennedy King building not previously claimed on its AFRs. Based on our review of CCC's response to the draft report we accepted the recalculated cost pools and occupancy values. This resulted in a recalculated CSG overpayment of 273,692 (\$146,092 in FY 2012 and \$127,600 for FY 2013) as shown on Exhibit H.

Recommendations

We recommend that CPB management require CCC to take the following actions:

- 1) repay \$146,092 in CSG FY 2012 over-payments because of over-reported FY 2010 NFFS and adjust FY 2013 CSG payments by \$127,600 for over-reported FY 2011 NFFS;
- 2) submit revised AFRs, Schedules B for FY2010 and FY 2011, eliminating questionable indirect revenues of \$2,382,835; and
- 3) institute controls to ensure future NFFS reporting fully complies with CPB's financial reporting guidelines.

CCC Management Response

In response to this recommendation, CCC officials concur with the finding that Institutional support of \$65,611,914 in FY2010 and \$65,531,438 in FY 2011 and Physical Plant support of \$28,977,237 in FY2010 and \$21,805,364 in FY 2011 were incorrectly reported. However they disagreed with the method used in the draft report to re-calculate Institutional and Physical Plant support citing the non-standard cost groups used in the calculation. Alternatively, CCC recalculated the cost pools using its "standard" cost groups and included occupancy value for its usage of the Kennedy King building not previously reported on its AFRs. Based on these adjustments, CCC estimated CSG overpayments of \$239,838 (\$119,799 for FY 2010 NFFS and \$120,039 for FY 2011 NFFS).

OIG Review and Comment

CCC's response only addressed recommendation 1, it did not address recommendations 2 and 3. Based on CCC's response, we accepted CCC's recalculated "standard" cost groups and the occupancy values. The cost group adjustments presented in the draft report were based on feedback we received from CCC's accounting office of those costs that benefited station operations. CCC's response to the draft report reflected a reconsideration of the information previously presented to us during our fieldwork. As a result, the estimated NFFS overstatements were recalculated as \$1,217,917 for FY 2010 and \$1,110,918 for FY 2011 per Exhibit H with estimated CSG overpayments of \$273,692 (\$146,092 for FY 2012; \$127,600 for FY 2013) using the available FY 2012 IRR. This change is reflected in the body of the report, in recommendation 1, and in Exhibit H.

Based on WYCC's response to the draft report, we consider recommendation 1 resolved but open pending CPB's management decision and collection of overpayments. Recommendations 2 and 3 are unresolved pending CPB's final management decision on the recommendations.

Compliance with Communications Act Requirements

Our examination found that WYCC did not fully comply with two requirements of the Communications Act for open meetings and documenting Donor List and Political Activities requirements. Specifically, the station did not make quarterly on-air announcements of the station's open meeting policy or establish a written policy addressing Donor List and Political Activities requirements. The station's lack of compliance with these requirements deprived the public of the required information envisioned by the Act. This information provides transparency, as well as, informs the public about how the station operates.

Quarterly Notification of Open Meetings Policy

WYCC did not fully comply with all the open meetings requirements of the Communications Act. CCC's Board of Directors (BOD) meets twelve times a year on the first Thursday of each month. A review of the BOD meeting minutes showed that they discussed WYCC business (including public broadcasting activities) and made decisions concerning the Network. However, WYCC did not make quarterly on-air announcements on at least three consecutive days explaining the station's open meeting policy and how the public could obtain information on the dates, times, and location of upcoming BOD meetings.

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

CPB's Certification Requirements for Station Grant Recipients for open meetings (Section III. C - minimum compliance requirements for "reasonable notice" to the public) 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. The third requirement states:

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.

Station officials stated that because WYCC's licensee is a state university, they followed the state's open meeting policy and were not aware of the CPB requirement.

Subsequent to our fieldwork, Station officials drafted Open Meetings Guidelines dated May 23, 2012. A review of the Guidelines shows that the state and CPB guidelines were combined to include CPB's requirements to make on-air announcements for at least three consecutive days once each calendar quarter. Station officials stated that they will adhere to this requirement going forward.

Donor List & Political Activities

WYCC did not have a donor list and political activities policy at the time of our field work. Station officials stated that in practice the station did not rent, sell, lease, or exchange donor information. However, this was not communicated in the sample membership renewal correspondence provided us during the audit fieldwork. However, the online form that can be completed by donors states that WYCC does not exchange donor information.

CPB's Certification Requirements for Station Grant Recipients for donor lists and political activities (Section IV. A.1.) requires each recipient of a CPB station grant, after reviewing the above information, shall develop documentation indicating the manner of compliance with this requirement.

Subsequent to our fieldwork, station officials drafted and approved a policy on the donor list & political activities requirements dated May 9, 2012. Our preliminary review of the policy found that it addressed CPB donor list and political activities requirements.

Recommendations

We recommend that CPB require WYCC to fully comply with all requirements of the Communications Act as follows:

- 4) make on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meeting policy and CPB documentation of the announcements made over the next four quarters; and
- 5) provide CPB with a copy of its donor list and political activities policy for CPB's review and approval.

CCC Management Response

CCC's response to the draft report did not address recommendations 4 and 5.

OIG Review and Comment

Based on CCC's response, we consider recommendations 4 and 5 unresolved, pending CPB's final management decision to address these recommendations.

EXHIBIT A

**CPB Payments to WYCC-TV
July 1, 2009 – June 30, 2011**

Date	Grants:	2010 AFR	2011 AFR	Total
2/4/2010	Community Service Grant:	\$397,694.00		\$397,694.00
2/24/2010	Community Service Grant:	\$397,694.00		\$397,694.00
12/20/2010	Community Service Grant:		\$549,832.00	\$549,832.00
3/22/2011	Community Service Grant:		\$549,832.00	\$549,832.00
	Sub-Total	\$795,388.00	\$1,099,664.00	\$1,895,052.00
2/4/2010	Interconnection	\$7,932.00		\$7,932.00
2/24/2010	Interconnection	\$7,932.00		\$7,932.00
12/20/2010	Interconnection		\$10,598.00	\$10,598.00
3/22/2011	Interconnection		\$10,597.00	\$10,597.00
	Sub-Total	\$15,864.00	\$21,195.00	\$37,059.00
	Other:			
1/13/2010	Fiscal Stabilization Grant		\$68,680.27	\$68,680.27
	Total Payments	\$811,252.00	\$1,189,539.27	\$2,000,791.27

EXHIBIT B

Annual Financial Reports Years Ending June 30, 2010-2011

Line	Description	FY 20010	FY 20011
	Schedule A, Source of Income:		
2	Amounts Provided by Public Broadcasting Entities	\$1,028,153	\$1,112,472
2.A.	CPB-CSG	\$963,167	\$1,073,731
2.D.	TV-Interconnection	\$16,068	\$18,978
2.E.	CPB – All other funds	\$48,918	\$19,763
4	State boards and departments of education	\$158,520	\$169,527
6	Other State supported colleges and universities	\$4,209,800	\$2,149,125
7	Private colleges and universities	\$27,345	\$6,928
8	Foundation and nonprofit associations	\$271,152	\$268,299
9	Business and Industry	\$28,132	\$30,235
10	Membership and Subscription	\$552,818	\$518,882
18	Capital contributions	\$94,761	\$12,294
20	Other Direct Revenue	\$83,672	\$64,395
21	Total Revenue	\$6,454,353	\$4,332,158
	Adjustments to Revenue		
23	Public broadcasting revenue	\$1,028,153	\$1,112,472
	Capital funds exclusions	\$94,761	\$12,294
27	Total Direct Nonfederal Financial Support	\$5,331,439	\$3,207,392
	Schedule B Worksheet		
1	Determine Station net direct expenses		
1a	Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$10,485,194	\$7,154,513
1b.1.	Capital Outlays	\$94,761	\$12,294
1b.2.	Depreciation	\$618,835	\$489,097
1b.5.	Indirect administrative support (see Guidelines for instructions)	\$3,412,005	\$2,333,259
1b.8.	Total deductions	\$4,125,601	\$2,834,650
1c.	Station net direct expenses	\$6,359,593	\$4,319,863
2a.1.	Station net direct Expenses (forwards from line 1)	\$6,359,593	\$4,319,863
2a.2.	Licensee net direct activities	\$128,494,305	\$128,131,239
2a.3.	Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	4.949319%	3.371436%
2c.2.	Costs per licensee financial statements	\$65,611,914	\$65,531,438
2c.4.	Costs benefiting station operations	\$65,611,914	\$65,531,438
2c.5.	Percentage of allocation (from line 2a.3 or 2b.3)	4.949319%	3.371436%
2c.6.	Total institutional costs benefiting station operations	\$3,247,342	\$2,209,350
3	Physical plant support rate calculation		
3a.	Net square footage occupied by station	23,434	23,434
3b.	Licensee's net assignable square footage	4,123,907	4,123,907
3c.	Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.568248%	0.568248%
3d.2.	3d.2. Costs per licensee financial statements	\$28,977,237	\$21,805,364
3d.4.	Costs benefiting station operations	\$28,977,237	\$21,805,364
3d.5.	Percentage of allocation (from line 3c.)	0.568248%	0.568248%

EXHIBIT B (continued)

Annual Financial Reports Years Ending June 30, 2010-2011

Line	Description	FY 20010	FY 20011
3d.6.	Total physical plant support costs benefiting station operations	\$164,662	\$123,908
4	Total costs benefiting station operations	\$3,412,004	\$2,333,258
	Schedule B Totals	-	-
1	Total support activity benefiting station	\$3,412,004	\$2,333,258
5	Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$3,412,004	\$2,333,258
		-	-
	Schedule E Expenses and Investments in Capital		
	Program Services		
1	Programming and production	\$2,567,114	\$2,038,886
2	Broadcasting and engineering	\$2,741,407	\$2,539,416
3	Program information and promotion	\$465,116	\$429,193
	Support Services		
4	Management and general	\$3,243,349	\$853,863
5	Fund raising and membership development	\$584,966	\$681,839
6	Underwriting and grant solicitation	\$169,646	\$109,925
7	Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$618,835	\$489,097
8	Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$10,390,433	\$7,142,219
	Investments in Capital Assets		
	Cost of capital assets purchased or donated		
9	Total capital assets purchased or donated	\$94,761	\$12,294
9a.	Land and buildings	\$0	\$0
9b.	Equipment	\$94,761	\$12,294
9c.	All other	\$0	\$0
10	Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$10,485,194	\$7,154,513
11	Total expenses (direct only)	\$6,978,428	\$4,808,960
12	Total expenses (indirect and in-kind)	\$3,412,005	\$2,333,259
13	Investment in capital assets (direct only)	\$94,761	\$12,294
14	Investment in capital assets (indirect and in-kind)	\$0	\$0

EXHIBIT C

**Summary of Non-Federal Financial Support 2010-2011
Certified by Head of Grantee and Independent Accountant's Report**

Line	Description	FY 2010	FY 2011
	<i>Summary of Non-Federal Financial Support:</i>		
1	Direct Revenue (Schedule A)	\$5,331,439	\$3,207,392
2	Indirect Administrative (Schedule B)	\$3,412,004	\$2,333,258
3	In-Kind Contributions (Schedule C)	0	0
3a	Services and Other Assets (Schedule C)	0	0
3b	Property and Equipment (Schedule D)	0	0
4	Total Non-Federal Financial Support	\$8,743,443	\$5,540,650

EXHIBIT D

CCC Proposed FY 2010 Institutional Support Calculation

Cost Groups	FY 2010 District Office Expenses
Qualified Costs Groups:	
IN Education fund	36,090,441
Audit fund	595,000
Liability and Protection Fund	8,039,948
Amount that may be claimed on Line 2c.2 of AFR	44,725,389
Cost groups that do not benefit the operations:	
Education-Institutional Support	
Academic Management (0000112)	179,087
Auxiliary Services (0005038)	85,319
Business Process Design Group (0000150)	699,018
Business/Academic Programs (0000133)	275,890
Communications (0015505)	1,561,214
Contracts/Grant Writing (0000111)	279,713
Legislative and Government (0015507)	387,886
Student Financials (0010103)	281,598
Vice Chancellor - Acad Affairs (0000113)	721,678
Vice Chancellor - Development (0015508)	258,625
Workforce Development (0000118)	(6,420)
WYCC - Transmitter/Broadcast (8075018)	200,818
Sub-Total	4,924,426
Liability Protection-Institutional Support	
General Counsel (0022501) - Legal Services (535100)	658,288
General Counsel (0022501) - Litigation (599100)	(43,850)
WYCC - General Administration (8075007)	1,475,000
Sub-Total	2,089,438
Total Deductions	7,013,864
Cost Groups that do not benefit station Operations line 2c.3	7,013,864
FY 2011 Amount that may be claimed on AFR Line 2c.4	37,711,525

CCC Proposed FY 2011 Institutional Support Calculation

Cost Groups	FY 2011 District Office Expenses
Qualified Cost Groups:	
IN Education fund	34,690,706
Audit fund	566,083
Liability and Protection Fund	462,162
Amount that may be claimed on Line 2c.2 of AFR	35,718,951
Cost groups that do not benefit the operations:	
Education- Institutional Support	
Academic Management (0000112)	92,069
Business Process Design Group (0000150)	17,323
Business/Academic Programs (0000133)	317,071
Client Svcs & Student Engmt (0018000)	293,317
Communications (0015505)	1,772,379
Community Relations (0015509)	91,417
Contracts/Grant Writing (0000111)	10,278
Default Dept/Special Suspense (0PRSUSP)	251
Foundations, Grants & Contracts (0019001)	346,737
Harold Washington (20)	221
Legislative and Government (0015507)	532,461
Operational Excellence Center (0017001)	663,644
Purchasing (0005029)	5,525
Reinvention Processes (0017004)	2,094,116
Research & Evaluation (0017002)	690,795
Restaurant Management (0016003)	4,450
Security Services (0015003)	1,606
Strategic Planning (0017003)	58,290
Strategy & Instutnl Intel (0017000)	275,733
Student Financials (0010103)	15,054
Vice Chancellor - Academic Affairs (0000113)	693,011
Vice Chancellor - Development (0015508)	13,682
Vice Chancellor - Development Dept (0019000)	172,355
Workforce Development (0000118)	43,332
WYCC - Transmitter/Broadcast (8075018)	240,000
Sub- Total	8,445,117
Liability Protection-Institutional Support	
General Counsel (0022501) - Legal Services (535100)	521,121

EXHIBIT E (continued)

CCC Proposed FY 2011 Institutional Support Calculation

Cost Groups	FY 2011 District Office Expenses
General Counsel (0022501) - Litigation Settlement (599100)	149,400
WYCC - General Administration (8075007)	(1,375,000)
Sub- Total	(704,479)
Total Deductions	7,740,638
FY 2011 Cost Groups that do not benefit station Operations line 2c.3	7,740,638
FY 2011 Amount that may be claimed on AFR Line 2c.4	27,978,313

CCC Proposed FY 2010 Physical Plant Support

Cost Groups	FY 2010 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,797,604
IN Support Operation and Maintenance Fund	483,536
Amount that may be claimed on AFR Line 3d.2	3,281,140
Cost groups that do not benefit the operations:	
Educ Operation and Maintenance Fund	
Security Services (0015003)	405,266
WYCC - Transmitter/Broadcast (8075018)	8,580
WYCC - General Administration (8075007)	766
Plant Management (0005031) - Facilities Rental (561100)	67,135
WYCC - Plant Management (8005031)	28,212
WYCC - Engineering (8075006)	100
Sub- Total	510,059
IN Support Operation and Maintenance Fund	
WYCC - Transmitter/Broadcast (8075018)	88,895
WYCC - General Administration (8075007)	66,425
Sub- Total	155,320
Total Deductions	665,379
Cost Groups that do not benefit station Operations line 3d.3	665,379
FY 2011 Amount that may be claimed on AFR Line 3d.4	2,615,761

CCC Proposed FY 2011 Physical Plant Support

Description	FY 2011 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,762,587
IN Support Operation and Maintenance Fund	474,338
Amount that may be claimed on AFR Line 3d.4	3,236,924
Cost groups that do not benefit the operations:	
Operation and Maintenance Fund	
Plant Management (0005031) - Capital Lease (566100)	5,179
Plant Management (0005031) - Equipment Rental (562100)	1,480
Plant Management (0005031) - Facilities Rental (561100)	75,850
Sub- Total	82,509
IN Support Operation and Maintenance Fund	
WYCC - Transmitter/Broadcast (8075018)	7,000
Sub- Total	7,000
Total Deductions	89,509
Cost Groups that do not benefit station Operations line 3d.3	89,509
Amount that may be claimed on AFR Line 3d.4	3,147,415

Adjusted Calculation of NFFS Schedule B Work Sheets

Schedule B Work Sheet FYs 2010-2011	FY 2010 From AFR	CCC Adjusted Calculation FY 2010	FY 2011 From AFR	CCC Adjusted Calculation FY 2011
1. Determine Station net direct expenses				
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$10,485,194	\$10,485,194	\$7,154,513	\$7,154,513
1b.1. Capital Outlays	\$94,761	\$94,761	\$12,294	\$12,294
1b.2. Depreciation	\$618,835	\$618,835	\$489,097	\$489,097
1b.5. Indirect administrative support (see Guidelines for instructions)	\$3,412,005	\$3,412,005	\$2,333,259	\$2,333,259
1b.8. Total deductions	\$4,125,601	\$4,125,601	\$2,834,650	\$2,834,650
1c. Station net direct expenses	\$6,359,593	\$6,359,593	\$4,319,863	\$4,319,863
2a.1. Station net direct Expenses (forwards from line 1)	\$6,359,593	\$6,359,593	\$4,319,863	\$4,319,863
2a.2. Licensee net direct activities	\$128,494,305	\$128,494,305	\$128,131,239	\$128,131,239
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	4.95%	4.949%	3.37%	3.371%
2c.2. Costs per licensee financial statements	\$65,611,914	\$44,725,389	\$65,531,438	\$35,718,951
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$7,013,864	\$0	\$7,740,638
2c.4. Costs benefiting station operations	\$65,611,914	\$37,711,525	\$65,531,438	\$27,978,313
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	4.95%	4.95%	3.37%	3.37%
2c.6. Total institutional costs benefiting station operations	\$3,247,343	1,866,720	\$2,209,350	942,869
3. Physical plant support rate calculation				
3a. Net square footage occupied by station	23,434	23,434	23,434	23,434
3b. Licensee's net assignable square footage	4,123,907	4,123,907	4,123,907	4,123,907
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.57%	0.57%	0.57%	0.57%
3d.2. Costs per licensee financial statements	\$28,977,237	\$3,281,140	\$21,805,364	\$3,236,924
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$665,379	\$0	\$89,509
3d.4. Costs benefiting station operations	\$28,977,237	\$2,615,761	\$21,805,364	\$3,147,415
3d.5. Percentage of allocation (from line 3c.)	0.57%	0.57%	0.57%	0.57%
3d.6. Total physical plant support costs benefiting station operations	\$164,663	\$14,910	\$123,909	\$17,940
4. Total costs benefiting station operations (forwards to line 1 on tab 3)	\$3,412,006.00	\$1,881,630.33	\$2,333,259.00	\$960,809.41
CCC Adjustments per Draft Response:				
Total costs benefiting station operations Claimed on AFR		\$3,412,006		\$2,333,259
Less: Total costs benefiting station operations CCC Adjustment		\$1,881,630		\$960,809
Less: Occupancy Value not previously reported		\$258,459		\$261,532
Overstated NFFS Revenue		\$1,271,917		\$1,110,918
FY 2012 TV IRR:		0.114860		0.114860
CSG Overpayment		\$146,092		\$127,600

- Used FY 2012 rate pending finalization of FY 2013 IRR based on FY 2011 NFFS.

Scope and Methodology

We performed an attestation examination to determine WYCC'S adherence to the requirements of the CPB Financial Reporting Guidelines, provisions of the Act, and CPB grant provisions and certification requirements. The scope of the examination included reviews and tests of the information reported by the station on its AFRs and audited financial statements for the years ending June 30, 2010 and 2011. We examined WYCC'S compliance with the Act and Certification Requirements for CPB station grant recipients. We examined expenses paid from the Community Service Grants to determine if they were allowable in accordance with the terms and conditions of the grants.

The scope of the audit included tests of the AFRs, Schedules A and B, and the data reported on them for the fiscal years ending June 30, 2010 and 2011. We tested the allowability of the revenues reported as NFFS totaling \$14,284,093 (\$8,743,443 in FY 2010 and \$5,540,650 in FY 2011) by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed the allowability of expenses that were charged to the CPB grants. We tested 50% of the CPB transactions (\$992,368 of \$ 2,000,791) for FYs 2010 and 2011. We also analyzed reports of expenses charged to the Fiscal Stabilization and Interconnection grants to determine that expenditures were allowable.

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

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

Our fieldwork at the station was performed at WYCC'S, during the week of May 30 - April 3, 2012. Our examination was performed in accordance with the *Government Auditing Standards, July 2007 Revision*, for attestation examinations.

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

September 4, 2012

RE: Response to Corporation for Public Broadcasting Office of Inspector General
Draft Report No. AST1205-XXXX, August 1, 2012
Examination of City Colleges of Chicago, WYCC-TV for Fiscal Years 2010-2011

In the “Findings and Recommendations” section, the auditor found that “in calculating both institutional and physical plant support accounting officials did not adjust either calculation for the costs groups that did not benefit operations of the station.” [sic] CCC **concurs** with this finding. In addition, CCC has noted that a calculation of the occupancy value was not included for either year.

Using non-standard cost groups identified by the auditor, an adjusted value for indirect administrative support was calculated and the auditor found that NFFS was overstated by \$2,020,695 in FY 2010 and \$1,972,944 in FY 2011. CCC **strongly disagrees** with the non-standard cost groups used by the auditor and the results of the auditor’s calculation based on those cost groups. Alternative calculations using widely accepted standard cost groups are presented in the attached exhibits. As summarized in Exhibit 6, these alternative calculations, with the inclusion of the occupancy value* not previously reported by CCC, estimate the NFFS overstatements to be \$1,271,917 for FY 2010 and \$1,110,918 for FY 2011. Based on these overstatements, CCC’s estimate of the CSG overpayment is \$239,838 (\$119,799 for FY 2010; \$120,039 for FY 2011).

The non-standard approach used in determining which costs were allowable distorted the calculation of the reportable indirect administrative support. Cost groups generally comprise various line items (objects of expense) such as salaries, services, and supplies expended to accomplish particular administrative functions, such as Finance, Human Resources, IT, etc. Using objects of expense as the cost group instead of administrative functions has created a situation where bits and pieces of allowable administrative function costs (primarily salaries) are disallowed arbitrarily even though they are components of an allowable cost group. This is clearly shown in Exhibit 1. E.g., Financial Planning and Budget, clearly an allowable

* Calculation of Occupancy Value

FY 2010 – Kennedy King building depreciation expense	\$5,479,507
WYCC’s percentage of square footage within Kennedy-King	4.7168%
WYCC’s portion of Kennedy-King depreciation expense	\$258,459
FY 2011 – Kennedy King building depreciation expense	\$5,544,658
WYCC’s percentage of square footage within Kennedy-King	4.7168%
WYCC’s portion of Kennedy-King depreciation expense	\$261,532

administrative function that should be included as a cost group, has \$291,871 (81%) of its \$359,337 FY 2010 costs identified as “Possible Deduction” by the auditor without a well-defined rationale for why salaries in the budget office that happen to be charged to line items described as “Administrator salaries” and “Professional/Technical salaries” should be excluded.

According to the auditor’s analysis, the Office of Information Technology had allowable expenses of \$12,327,173 out of a total of \$17,934,705 (69%) in FY 2010. Then, in FY 2011, \$10,084,215 out of \$13,172,515 (77%) was considered as a possible deduction. This shift from allowable to possibly unallowable costs reflects a change in the line item for certain expenditures, with \$8,351,309 of “Computing Services” (allowable) in FY 2010 becoming \$4,454,945 of “Consultants” (possible deduction) in FY 2011. In addition, \$1,225,804 of allowable “Equipment maintenance” in FY 2010 became \$1,083,307 of possibly deductible “Equipment maintenance” in FY 2011. Nothing changed in the operation of the Office of Information Technology except the characterization, for accounting purposes, of certain objects of expense. The same indirect administrative support was provided in both years.

The attached six exhibits illustrate CCC’s approach to calculating the CSG overpayment for FY 2010 and FY 2011. They also provide a template for addressing the overstatement of NFFS revenue by identifying those cost groups that should be deducted when preparing Schedule B. To facilitate comparison, all except Exhibit 1 are based on the exhibits included with the inspector general’s draft report.

Exhibit 1 summarizes the data used in the review by the auditor by standard cost groups (identified at CCC as departments). The data was coded to reflect the auditor’s categorization of certain line items as “possible deductions” and validated using the Excel worksheets provided by the auditor, shown below.

Line 2c 4 FY2010.xlsx	AFR Line 3d 4 FY 2010.xlsx
AFR Line2c 2 FY 2011.xlsx	AFR Line 3d 4 FY 2011.xlsx

Note that the Grand Total for FY 2010 of the Institutional Support table in Exhibit 1 (\$44,725,389) equals the “Amount that may be claimed on Line 2c.2 of AFR” shown on Exhibit D of the auditor’s report. Similarly, the Grand Total for FY 2011 matches the respective line on Exhibit E. The O&M Grand Totals for FY 2010 and FY 2011 likewise match Exhibits F and G. Further validation that the data used for CCC’s analysis is the same as that used by the auditor is available if required.

Exhibits 2 through 5 provide a side-by-side comparison of the auditor’s Exhibits D through G, calculated using objects of expense as cost groups, with CCC’s calculations using standard cost groups.

Finally, Exhibit 6 replicates the auditor’s Exhibit H, substituting CCC’s calculated values for lines 2c.3 et seq in the third and fifth columns. In addition, an inconsistency in presentation on line 2c.2, column three was corrected to allow easier comparison of year-to-year differences in line 2c.3. A line was added at the bottom of the table to allow an adjustment by including the “occupancy value not previously reported” (see footnote above). The table below summarizes the difference between the auditor’s calculation and CCC’s.

	FY 2010	FY 2011	Total
CPB IG calculation	\$190,325	\$213,185	\$403,510
CCC calculation	119,799	120,039	239,838
Difference	\$ 70,526	\$ 93,146	\$163,672

The non-standard identification of objects of expense as cost groups not only overstates the amount of the CSG overpayment in this review, it also establishes a method for determining indirect administrative support that cannot be replicated from year to year. As shown in Exhibit 1, the auditor did not seem to use the same criteria from one year to the next, resulting in substantial differences in allowable costs within standard cost groups. The approach proposed by CCC is consistent with normal indirect cost allocation methodology and can be replicated readily from year to year using a template that identifies those cost groups (departments) that always should be deducted.

CCC urges the inspector general to reconsider the cost groups used for this analysis and to reevaluate the CSG overpayment in line with standard indirect cost allocation methodology.

Sincerely,



J. Randall Dempsey, CPA
Interim Vice Chancellor of Finance/CFO

cc: Ron Schofield, Executive Director of Media Services, WYCC-TV
Bruce Gename, Associate Controller, General Accounting, CCC
Robert Winteringham, Deputy General Counsel, CPB
Mark Erstling, Senior Vice President, System Development & Media Strategy, CPB

Exhibit 1.

CPB IG Findings Compared
to CCC Proposed Adjustments
FY 2010 and FY 2011
Institutional Support

Row Labels	Dept	2010		2010 Total	2011		2011 Total
		CPB IG Allowed	CPB IG Possible Deduction		CPB IG Allowed	CPB IG Possible Deduction	
Education Fund							
CCC Proposed Cost Groups to Include							
Administrative Services	0005033	14,353		14,353	11,181		11,181
Assoc Vice Chancellor, Finance	0010104	222,186	337,761	559,948	83,509	497,530	581,040
Board Of Trustees	0015502	198,674	68,690	267,364	209,702	248,033	457,735
Business Enterprise	0016000				42,166	191,017	233,184
Business Services - A/P	0010102	53,423	156,865	210,288	43,210	155,260	198,470
Chancellor	0015501	276,611	769,507	1,046,118	179,061	700,061	879,122
Chief Operating Office	0015503				12,142	60,900	73,042
Controller	0010105	171,129	1,257,110	1,428,240	575,861	1,275,096	1,850,958
Financial Control Compliance	0010029	1,807	128,985	130,792	26,198	131,160	157,358
Financial Planning and Budget	0010051	67,465	291,871	359,337	54,109	239,849	293,958
General Counsel Office	0022501	178,020	1,407,054	1,585,074	190,913	798,587	989,501
HR-Bus Mgmt	0025009	18,835	89,167	108,001	17,091	89,267	106,358
HR-Comp + Class	0025003	44,599	197,592	242,191	38,004	198,496	236,500
HR-EEO	0025004	120,312	232,619	352,931	146,332	235,310	381,642
District Offices	00	144,448	(66,080)	78,369	(26,112,866)	0	(26,112,866)
HR-Employee Benefits	0025006	475,395	443,522	918,917	24,154,310	412,827	24,567,137
HR-Recruitment	0025001	64,392	140,394	204,785	67,410	354,042	421,453
HR-Staff Development	0025008	345	10,125	10,470	750		750
HR-Staffing	0025005	94,187	350,505	444,692	105,808	213,981	319,789
Inspector General	0015001	187,445	44,528	231,973	238,945	332,100	571,045
Internal Auditing	0015002	583,093	334,086	917,178	497,053	320,319	817,373
Mail Room & Telephone	0005028	191,619	87,701	279,320	136,139	91,515	227,653
Office of Information Tech	0023001	12,327,173	5,607,532	17,934,705	3,088,301	10,084,215	13,172,515
Payroll	0025007	54,801	258,954	313,754	2,108,910	254,593	2,363,503
Risk Management	0025010	200		200			
Treasurer	0010026	279,564	149,974	429,539	180,369	214,546	394,915
Vice Chancellor - Finance	0010002	109,096	2,421,207	2,530,303	26,427	2,438,988	2,465,415
Vice Chancellor - HR	0025002	175,235	391,942	567,176	141,157	445,707	586,863
CCC Proposed Cost Groups to Include Total		16,054,405	15,111,611	31,166,016	6,262,193	19,983,400	26,245,592
CCC Proposed Cost Groups to Exclude							
Academic Management	0000112	32,982	146,104	179,087	16,694	75,375	92,069
Auxiliary Services	0005038	85,319		85,319			
Business Process Design Group	0000150	172,041	526,977	699,018		17,323	17,323
Business/Academic Programs	0000133	46,280	229,610	275,890	101,155	215,915	317,071
Client Svcs & Student Engmt	0018000				48,990	244,328	293,317
Communications	0015505	938,902	622,312	1,561,214	750,465	1,021,914	1,772,379
Community Relations	0015509				19,901	71,515	91,417
Contracts/Grant Writing	0000111	54,234	225,479	279,713	330	9,948	10,278
Default Dept/Special Suspense	OPRSUSP					251	251
Foundations, Grants & Contracts	0019001				62,796	283,941	346,737
Harold Washington	20					221	221
Legislative and Government	0015507	45,751	342,135	387,886	71,420	461,041	532,461
Operational Excellence Center	0017001				117,400	546,244	663,644
Purchasing	0005029				5,525		5,525
Reinvention Processes	0017004				298,307	1,795,808	2,094,116
Research & Evaluation	0017002				139,972	550,824	690,795
Restaurant Management	0016003				4,450		4,450
Security Services	0015003				258	1,348	1,606
Strategic Planning	0017003				9,367	48,923	58,290
Strategy & Instutnl Intel	0017000				60,947	214,785	275,733

Exhibit 1.

CPB IG Findings Compared
to CCC Proposed Adjustments
FY 2010 and FY 2011
Institutional Support

Row Labels	Dept	2010		2010 Total	2011		2011 Total
		CPB IG Allowed	CPB IG Possible Deduction		CPB IG Allowed	CPB IG Possible Deduction	
Student Financials	0010103	66,451	215,147	281,598	7,683	7,371	15,054
Vice Chancellor - Acad Affairs	0000113	300,224	421,455	721,678	301,147	391,864	693,011
Vice Chancellor - Development	0015508	48,219	210,406	258,625	1,882	11,800	13,682
Vice Chancellor-Developmt Dept	0019000				39,609	132,746	172,355
Workforce and Economic Develop	0023002	(1,120)	(5,300)	(6,420)			
Workforce Development	0000118					43,332	43,332
WYCC - Transmitter/Broadcast	8075018	200,818		200,818	240,000		240,000
CCC Proposed Cost Groups to Exclude Total		1,990,101	2,934,324	4,924,425	2,298,297	6,146,816	8,445,114
Education Fund Total		18,044,506	18,045,935	36,090,441	8,560,490	26,130,216	34,690,706
Liability Fund							
CCC Proposed Cost Groups to Include							
Business Services - A/P	0010102	0		0			
Controller	0010105		52,483	52,483			
General Counsel Office	0022501	1,726,149	55,389	1,781,538	(135,745)	35,963	(99,781)
District Offices	00	0		0	2,897		2,897
HR-Employee Benefits	0025006	0		0	0		0
Risk Management	0025010	3,893,489	223,000	4,116,489	1,040,525	223,000	1,263,525
CCC Proposed Cost Groups to Include Total		5,619,638	330,872	5,950,510	907,677	258,963	1,166,640
CCC Proposed Cost Groups to Exclude							
General Counsel Office	0022501	(43,850)	658,288	614,438		670,521	670,521
WYCC - General Administration	8075007	1,475,000		1,475,000	(1,375,000)		(1,375,000)
CCC Proposed Cost Groups to Exclude Total		1,431,150	658,288	2,089,438	(1,375,000)	670,521	(704,479)
Liability Fund Total		7,050,788	989,160	8,039,948	(467,323)	929,485	462,162
Audit Fund							
CCC Proposed Cost Groups to Include							
Controller	0010105	595,000		595,000	566,083		566,083
CCC Proposed Cost Groups to Include Total		595,000		595,000	566,083		566,083
Audit Fund Total		595,000		595,000	566,083		566,083
Grand Total		25,690,294	19,035,095	44,725,389	8,659,250	27,059,701	35,718,951

Exhibit 1.

CPB IG Findings Compared
to CCC Proposed Adjustments
FY 2010 and FY 2011
O&M

Row Labels	Dept	2010		2010 Total	2011		2011 Total
		CPB IG Allowed	CPB IG Possible Deduction		CPB IG Allowed	CPB IG Possible Deduction	
O&M Fund							
O&M Programs							
CCC Proposed Cost Groups to Include							
Business Services - A/P	0010102	0		0			
Plant Management (Fund 05501)	0005031	1,247,800	1,039,745	2,287,545	1,474,452	1,008,586	2,483,038
Facilities Maintenance	1005025				197,040		197,040
CCC Proposed Cost Groups to Include Total		1,247,800	1,039,745	2,287,545	1,671,492	1,008,586	2,680,078
CCC Proposed Cost Groups to Exclude							
Security Services	0015003	7,093	398,173	405,266			
WYCC - Transmitter/Broadcast	8075018	8,580		8,580			
WYCC - General Administration	8075007	766		766			
Plant Management (Fund 05501)	0005031	67,135		67,135	77,330	5,179	82,508
WYCC - Plant Management	8005031	28,212		28,212			
WYCC - Engineering	8075006	100		100			
CCC Proposed Cost Groups to Exclude Total		111,886	398,173	510,059	77,330	5,179	82,508
O&M Programs Total		1,359,686	1,437,918	2,797,604	1,748,822	1,013,765	2,762,587
Institutional Support Programs							
CCC Proposed Cost Groups to Include							
Administrative Services	0005033	49,326	311,408	360,734	70,041	364,789	434,830
Controller	0010105		(65,114)	(65,114)			
Mail Room & Telephone	0005028	5,684	26,911	32,596	5,604	26,904	32,508
CCC Proposed Cost Groups to Include Total		55,010	273,205	328,216	75,645	391,693	467,338
CCC Proposed Cost Groups to Exclude							
WYCC - Transmitter/Broadcast	8075018	88,895		88,895	7,000		7,000
WYCC - General Administration	8075007	66,425		66,425			
CCC Proposed Cost Groups to Exclude Total		155,320		155,320	7,000		7,000
Institutional Support Programs Total		210,330	273,205	483,536	82,645	391,693	474,338
O&M Fund Total		1,570,016	1,711,123	3,281,140	1,831,467	1,405,457	3,236,924
Grand Total		1,570,016	1,711,123	3,281,140	1,831,467	1,405,457	3,236,924

Exhibit 2.

**Proposed FY 2010 Institutional Support Calculation
CPB IG Compared to CCC Adjusted**

CPB IG Proposed

Cost Groups	FY 2010 District Office Expenses
Qualified Costs Groups:	
IN Education fund	36,090,441
Audit fund	595,000
Liability and Protection Fund	8,039,948
Amount that may be claimed on Line 2c.2 of AFR	44,725,389
Cost groups that do not benefit the operations:	
Education-Institutional Support	
Administrators-base salary	3,594,271
Benefits 25% Admin-base salary	898,568
Bad debt expense	(66,080)
Consultant/Contract Staffing	2,429,567
Clerical/tech	1,088,728
Benefits 25%	217,746
faculty Enhancement	739,422
Instructional equip over \$25000	178,155
Litigation settlement	675,000
Prof/tech staff-base salary	3,964,147
Benefits 25% Prof/tech staff	991,037
Prof/tech staff-part-time	1,065,709
Sub-Total	15,776,268
Liability Protection-Institutional Support	
Administrators-base salary	137,029
Consultant/Contract Staffing	115,944
Legal services	658,288
Other services	52,483
Prof/tech staff-base salary	25,416
Sub-Total	989,160
Total Deductions	16,765,428
Cost Groups that do not benefit station Operations line 2c.3	16,765,428
FY 2011 Amount that may be claimed on AFR Line 2c.4	27,959,961

CCC Proposed

Cost Groups	FY 2010 District Office Expenses
Qualified Costs Groups:	
IN Education fund	36,090,441
Audit fund	595,000
Liability and Protection Fund	8,039,948
Amount that may be claimed on Line 2c.2 of AFR	44,725,389
Cost groups that do not benefit the operations:	
Education-Institutional Support	
Academic Management (0000112)	179,087
Auxiliary Services (0005038)	85,319
Business Process Design Group (0000150)	699,018
Business/Academic Programs (0000133)	275,890
Communications (0015505)	1,561,214
Contracts/Grant Writing (0000111)	279,713
Legislative and Government (0015507)	387,886
Student Financials (0010103)	281,598
Vice Chancellor - Acad Affairs (0000113)	721,678
Vice Chancellor - Development (0015508)	258,625
Workforce Development (0000118)	(6,420)
WYCC - Transmitter/Broadcast (8075018)	200,818
Sub-Total	4,924,426
Liability Protection-Institutional Support	
General Counsel (0022501) - Legal Services (535100)	658,288
General Counsel (0022501) - Litigation (599100)	(43,850)
WYCC - General Administration (8075007)	1,475,000
Sub-Total	2,089,438
Total Deductions	7,013,864
Cost Groups that do not benefit station Operations line 2c.3	7,013,864
FY 2011 Amount that may be claimed on AFR Line 2c.4	37,711,525

Exhibit 3.

**Proposed FY 2011 Institutional Support Calculation
CPB IG Compared to CCC Adjusted**

CPB IG Proposed

Cost Groups	FY 2011 District Office Expenses
Qualified Cost Groups:	
IN Education fund	34,690,706
Audit fund	566,083
Liability and Protection Fund	462,162
Amount that may be claimed on Line 2c.2 of AFR	35,718,951
Cost groups that do not benefit the operations:	
Education- Institutional Support	
Administrators-base salary	4,467,430
Benefits 25% Admin-base salary	1,116,858
Bad debt expense	61,986
Clerical/tech	1,178,059
Benefits 25% Clerical/tech	294,515
Consultant/Contract Staffing	8,320,450
Equipment maintenance	1,092,439
Special Assignment Pay	52,126
Faculty Enhancement	814,753
Other services	97,460
Prof/tech staff-base salary	4,958,544
Benefits 25% Prof/tech	1,239,636
Prof/tech staff-part-time	1,441,295
Sub- Total	25,135,550
Liability Protection-Institutional Support	
Benefits 25% Admin-base salary	36,141
Consultants	
Litigation settlement	149,400
Sub- Total	185,541
Total Deductions	25,321,091

CCC Proposed

Cost Groups	FY 2011 District Office Expenses
Qualified Cost Groups:	
IN Education fund	34,690,706
Audit fund	566,083
Liability and Protection Fund	462,162
Amount that may be claimed on Line 2c.2 of AFR	35,718,951
Cost groups that do not benefit the operations:	
Education- Institutional Support	
Academic Management (0000112)	92,069
Business Process Design Group (0000150)	17,323
Business/Academic Programs (0000133)	317,071
Client Srvcs & Student Engmt (0018000)	293,317
Communications (0015505)	1,772,379
Community Relations (0015509)	91,417
Contracts/Grant Writing (0000111)	10,278
Default Dept/Special Suspense (0PRSUSP)	251
Foundations,Grants & Contracts (0019001)	346,737
Harold Washington (20)	221
Legislative and Government (0015507)	532,461
Operational Excellence Center (0017001)	663,644
Purchasing (0005029)	5,525
Reinvention Processes (0017004)	2,094,116
Research & Evaluation (0017002)	690,795
Restaurant Management (0016003)	4,450
Security Services (0015003)	1,606
Strategic Planning (0017003)	58,290
Strategy & Instutnl Intel (0017000)	275,733
Student Financials (0010103)	15,054
Vice Chancellor - Academic Affairs (0000113)	693,011
Vice Chancellor - Development (0015508)	13,682
Vice Chancellor - Development Dept (0019000)	172,355

Proposed FY 2011 Institutional Support Calculation
 CPB IG Compared to CCC Adjusted

CPB IG Proposed

FY 2011 Cost Groups that do not benefit station Operations line 2c.3	25,321,091
FY 2011 Amount that may be claimed on AFR Line 2c.4	10,397,860

CCC Proposed

Workforce Development (0000118)	43,332
WYCC - Transmitter/Broadcast (8075018)	240,000
Sub- Total	8,445,117
Liability Protection-Institutional Support	
General Counsel (0022501) - Legal Services (535100)	521,121
General Counsel (0022501) - Litigation Settlement (599100)	149,400
WYCC - General Administration (8075007)	(1,375,000)
Sub- Total	(704,479)
Total Deductions	7,740,638
FY 2011 Cost Groups that do not benefit station Operations line 2c.3	7,740,638
FY 2011 Amount that may be claimed on AFR Line 2c.4	27,978,313

Exhibit 4.

**Proposed FY 2010 O&M Calculation
CPB IG Compared to CCC Adjusted**

CPB IG Proposed

Cost Groups	FY 2010 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,797,604
IN Support Operation and Maintenance Fund	483,536
Amount that may be claimed on AFR Line 3d.2	3,281,140
Cost groups that do not benefit the operations:	
Educ Operation and Maintenance Fund	
Administrators-base salary	100,319
Benefits 25% Admin-base salary	25,080
Cust/maint-base	1,022,380
Benefits 25% Cust/maint-base	255,595
Prof/tech staff-base salary	108,693
Benefits 25% Prof/tech	27,173
Supervisory	175,707
Benefits 25% Supervisory	43,927
Sub- Total	1,758,874
IN Support Operation and Maintenance Fund	
Clerical/tech-base	14,267
Benefits 25% Clerical/tech-base	3,567
Prof/tech staff	179,908
Benefits 25% Prof/tech staff	44,977
Sub- Total	242,720
Total Deductions	2,001,593
Cost Groups that do not benefit station Operations line 3d.3	2,001,593
FY 2011 Amount that may be claimed on AFR Line 3d.4	1,279,546

CCC Proposed

Cost Groups	FY 2010 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,797,604
IN Support Operation and Maintenance Fund	483,536
Amount that may be claimed on AFR Line 3d.2	3,281,140
Cost groups that do not benefit the operations:	
Educ Operation and Maintenance Fund	
Security Services (0015003)	405,266
WYCC - Transmitter/Broadcast (8075018)	8,580
WYCC - General Administration (8075007)	766
Plant Management (0005031) - Facilities Rental (561100)	67,135
WYCC - Plant Management (8005031)	28,212
WYCC - Engineering (8075006)	100
Sub- Total	510,059
IN Support Operation and Maintenance Fund	
WYCC - Transmitter/Broadcast (8075018)	88,895
WYCC - General Administration (8075007)	66,425
Sub- Total	155,320
Total Deductions	665,379
Cost Groups that do not benefit station Operations line 3d.3	665,379
FY 2011 Amount that may be claimed on AFR Line 3d.4	2,615,761

Exhibit 5.

Proposed FY 2011 O&M Calculation
CPB IG Compared to CCC Adjusted

CPB IG Proposed

CCC Proposed

Description	FY 2011 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,762,587
IN Support Operation and Maintenance Fund	474,338
Amount that may be claimed on AFR Line 3d.4	3,236,924
Cost groups that do not benefit the operations:	
Operation and Maintenance Fund	
Administrators-base salary	82,505
Benefits 25% Admin-base salary	20,626
Capital Lease Payments	5,179
Clerical/tech	10,577
Benefits 25% Clerical/tech	2,644
Prof/tech staff-base salary	104,675
Benefits 25% Prof/tech	26,169
Cust/maint-base	669,029
Benefits 25% Cust/maint-base	167,257
Consultant/Contract Staffing	109,801
Sub- Total	1,198,461
IN Support Operation and Maintenance Fund	
Prof/tech staff	182,068
Benefits 25% Prof/tech	45,517
Cust/maint-base	26,904
Benefits 25% Cust/maint-base	6,726
Clerical/tech-base	31,337
Benefits 25% Clerical/tech	7,834
Sub- Total	300,385
Total Deductions	1,498,846
Cost Groups that do not benefit station Operations line 3d.3	1,498,846
Amount that may be claimed on AFR Line 3d.4	1,738,078

Description	FY 2011 District Office Expenses
Qualified Cost Groups:	
Operation and Maintenance Fund	2,762,587
IN Support Operation and Maintenance Fund	474,338
Amount that may be claimed on AFR Line 3d.4	3,236,924
Cost groups that do not benefit the operations:	
Operation and Maintenance Fund	
Plant Management (0005031) - Capital Lease (566100)	5,179
Plant Management (0005031) - Equipment Rental (562100)	1,480
Plant Management (0005031) - Facilities Rental (561100)	75,850
Sub- Total	82,509
WYCC - Transmitter/Broadcast (8075018)	7,000
Sub- Total	7,000
Total Deductions	89,509
Cost Groups that do not benefit station Operations line 3d.3	89,509
Amount that may be claimed on AFR Line 3d.4	3,147,415

Exhibit 6.

CCC Adjusted Calculation of NFFS
Schedule B Work Sheet FYs 2010-2011

Schedule B Work Sheet FYs 2010-2011	FY 2010 From AFR	CCC Adjusted Calculation FY 2010	FY 2011 From AFR	CCC Adjusted Calculation FY 2011
1. Determine Station net direct expenses				
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$10,485,194	\$10,485,194	\$7,154,513	\$7,154,513
1b.1. Capitol Outlays	\$94,761	\$94,761	\$12,294	\$12,294
1b.2. Depreciation	\$618,835	\$618,835	\$489,097	\$489,097
1b.5. Indirect administrative support (see Guidelines for instructions)	\$3,412,005	\$3,412,005	\$2,333,259	\$2,333,259
1b.8. Total deductions	\$4,125,601	\$4,125,601	\$2,834,650	\$2,834,650
1c. Station net direct expenses	\$6,359,593	\$6,359,593	\$4,319,863	\$4,319,863
2a.1. Station net direct Expenses (forwards from line 1)	\$6,359,593	\$6,359,593	\$4,319,863	\$4,319,863
2a.2. Licensee net direct activities	\$128,494,305	\$128,494,305	\$128,131,239	\$128,131,239
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	4.95%	4.949%	3.37%	3.371%
2c.2. Costs per licensee financial statements	\$65,611,914	\$44,725,389	\$65,531,438	\$35,718,951
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$7,013,864	\$0	\$7,740,638
2c.4. Costs benefiting station operations	\$65,611,914	\$37,711,525	\$65,531,438	\$27,978,313
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	4.95%	4.95%	3.37%	3.37%
2c.6. Total institutional costs benefiting station operations	\$3,247,343	1,866,720	\$2,209,350	942,869
3. Physical plant support rate calculation				
3a. Net square footage occupied by station	23,434	23,434	23,434	23,434
3b. Licensee's net assignable square footage	4,123,907	4,123,907	4,123,907	4,123,907
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	0.57%	0.57%	0.57%	0.57%
3d.2. Costs per licensee financial statements	\$28,977,237	\$3,281,140	\$21,805,364	\$3,236,924
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$665,379	\$0	\$89,509
3d.4. Costs benefiting station operations	\$28,977,237	\$2,615,761	\$21,805,364	\$3,147,415
3d.5. Percentage of allocation (from line 3c.)	0.57%	0.57%	0.57%	0.57%
3d.6. Total physical plant support costs benefiting station operations	\$164,663	\$14,910	\$123,909	\$17,940
4. Total costs benefiting station operations (forwards to line1 on tab3)	\$3,412,006.00	\$1,881,630.33	\$2,333,259.00	\$960,809.41
Total costs benefiting station operations Claimed on AFR		\$3,412,006		\$2,333,259
Total costs benefiting station operations CCC Adjustment		\$1,881,630		\$960,809
Occupancy value not previously reported		\$258,459		\$261,532
Overstated NFFS Revenue		\$1,271,917		\$1,110,918
TV IRR Rate		0.094188		0.108054
CSG Overpayment		\$119,799		\$120,039