

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

**EXAMINATION OF CPB GRANTS AWARDED TO NORTHWEST INDIANA
PUBLIC BROADCASTING, INC., FOR THE PERIODS ENDING
SEPTEMBER 30, 2010 AND 2011**

REPORT NO. AST1206-1301

February 4, 2013


**Kenneth A. Konz
Inspector General**



Corporation
for Public
Broadcasting

Office of Inspector General

Date: February 4, 2013

To: Robert M. Winteringham, Deputy General Counsel

From: *Kenneth A. Konz*
Kenneth A. Konz, Inspector General

Subject: Examination of CPB Grants Awarded to Northwest Indiana Public Broadcasting, Inc., for the Periods Ending September 30, 2010 and 2011
Report No. AST1206-1301

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG), Interconnection, and other grants awarded to Northwest Indiana Public Broadcasting, Inc., licensee of WYIN-TV (WYIN) for the above referenced periods. The objectives of the examination were to determine whether the licensee: a) claimed Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) for FY 2010 – FY 2011 in accordance with CPB Financial Reporting Guidelines; b) complied with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act); and c) expended CSG, and other grant funds in accordance with CPB grant requirements. Our scope and methodology is discussed in Exhibit E.

Based upon our examination we found noncompliance with the following statutory provisions of the Communications Act and CPB grant requirements:

- open meeting requirements to provide quarterly on-air announcements of the station's open public meetings policies;
- open financial records requirements to make the CPB Annual Financial Report and CPB grant financial reports available to the public;
- requirements to develop documentation indicating the manner the station will comply with the five statutory requirements of the Communications Act; and
- the Independent Public Accountants (IPA) attestation of the AFR's compliance with CPB's NFFS reporting requirements.

In response to the draft report, WYIN officials agreed with our findings on the Communications Act and the IPA's attestation on NFFS compliance. They also have initiated corrective actions as outlined in their written response to the draft report presented in Exhibit F. We did not include 29 pages of exhibits provided with WYIN's response. These exhibits included WYIN's Policies and Procedures "For maintaining compliance with the Certification Requirements for Station Grant Recipients," a listing of the members of the Community Advisory Board, and the Northwest Indiana Public

Broadcasting, Inc. Bylaws. This additional information is available upon request from our office.

The findings and recommendations contained in this report do not necessarily represent CPB management's final position on these matters. CPB management will make final management decisions on the recommendations in this report in accordance with CPB's audit resolution procedures.

Based on WYIN's response to the draft report, we consider recommendations 1 resolved but open pending CPB management's decision accepting WYIN's corrective actions and recommendation 2 is unresolved.

BACKGROUND

WYIN, also known as Lakeshore Public Television, operates under a community license issued by the Federal Communications Commission to the Northwest Indiana Public Broadcasting, Inc. Lakeshore Public Television signed on the air in November 1987 as WYIN Channel 56.

Positioned in the Chicago Designated Market Area, WYIN serves Northwest Indiana and Chicago. WYIN provides programming to 14 counties in Indiana and Illinois, reaching people in rural areas, small towns, and major cities with regional and national programming. In February 2004, with a \$2 million state grant, Lakeshore Public Television installed a digital antenna and digital tuner, adding four channels (17.1, 17.2, 17.3 and 17.4). Channels 17.1 and 17.4 are currently operating.

CSG award amounts are determined by the NFFS reported by stations on its AFRs. The CSG calculation process starts with amounts appropriated for the television CSG pools adjusted by the base grant, distance and local service grant amounts. The funds that remain are called the Incentive Grant Pools. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total amount of NFFS claimed by all television and radio stations in the system. The IRR is then multiplied by the station's reported NFFS to calculate the incentive award amount of the station's total CSG. There is a two year lag between the reported NFFS and CPB's calculation of the fiscal year's CSG award amount. To illustrate, CPB used the NFFS claimed on WYIN's FY 2008 AFR to determine the amount of its FY 2010 CSG award to WYIN.

WYIN's annual CSG awards totaled \$1,207,987 (\$592,164 in FY 2010 and \$615,823 in FY 2011). In addition to the CSG awards, WYIN received \$66,427 in TV Interconnections and Fiscal Stabilization grants during our audit period for a total of \$1,274,414 in CPB awards. Each CSG grant can be spent over a two-year period. The FY 2010 CSG can be spent over the period from October 1, 2009 through September 30, 2011. WYIN's fiscal year covers the period October 1st through September 30th of each year.

CPB's cash payments to WYIN totaled \$1,358,797 for FY 2010 and 2011, as itemized in Exhibit A. WYIN recognizes the CSG revenues when the CPB Electronic Payment Notification letter is received by the station.

WYIN's AFRs reported total revenues of \$9,758,565 per Exhibits B and C. WYIN reported total NFFS of \$5,067,881 as presented in Exhibit D.

RESULTS OF REVIEW

We examined WYIN management's assertions of compliance with CPB's CSG agreement terms, Financial Reporting Guidelines for reporting NFFS, Certification of Eligibility requirements, and Act requirements for the periods ending September 30, 2010 and 2011. We also examined WYIN CSG and other grant revenue and expenses. Management is responsible for WYIN's compliance with CPB's requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation engagements, and accordingly, included examining, on a test basis, evidence of WYIN's compliance with those requirements and performing such other procedures as we considered necessary. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed that WYIN was noncompliant with the statutory provisions of the Communications Act and CPB requirements, as follows:

- open meeting requirements to provide quarterly on-air announcements of the station's open public meetings policies;
- open financial records requirements to make the CPB Annual Financial Report and CPB grant financial reports available to the public; and
- requirements to develop documentation indicating the manner the station will comply with the five statutory requirements of the Communications Act; and
- the Independent Public Accountant's (IPA) attestation of the AFR's compliance with CPB's NFFS reporting requirements.

In our opinion, except for the noncompliance items listed above, WYIN has complied with CPB Financial Reporting Guidelines, Certification Requirements for station Grant Recipients, CSG General Provision and Eligibility Criteria, and the Communications Act for the periods ending September 30, 2010 and 2011.

FINDINGS AND RECOMMENDATIONS

Noncompliance with the Communications Act

Our examination found that WYIN was not in full compliance with open meeting and financial information requirements of the Act and CPB Certification Requirements for Station Grants Recipients. Further, WYIN had not established operating procedures to document how it complies with CPB requirements. In response to this finding, WYIN officials said they were not completely aware of the various statutory requirements of the Act, including the CPB requirement to prepare documentation to inform the public of what information is available for review and the methods they should use to obtain this information. WYIN officials acknowledged the need to comply with these requirements and agreed to develop procedures that comply with the Act's requirements.

Open Meetings

Our examination of compliance with open meeting requirements found that adequate advance notice of Board of Directors meetings was documented to verify that seven days advance notice was given to the public. However, the Station Manager stated that quarterly on-air announcements had not been made explaining the station's open public meetings policies prior to early 2012. Our review of station broadcast logs confirmed the Station Manager's statement.

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 Certification Requirements for Station Grants Recipients for open meetings states, "all meetings that are required to be open to the public must also be preceded by reasonable notice to the public." Reasonable notice is defined as "notice that is both reasonably expected to inform and appropriate to the purpose of the notice. Notice should be directed toward those individuals who could be reasonably expected to have an interest in attending the meeting. Notice should also be given in a manner that could be expected to reach such individuals."

The minimum compliance for "reasonable notice" requires that:

1. Notice is placed in the "Legal Notices" or the radio and television schedules section of a local newspaper in general circulation in the station's coverage area: or, notice is available through an announcement that is accessible on the station's web page; and
2. Notice is communicated by letter, e-mail, fax, phone, or in person to any individuals who have specifically requested to be notified; and

3. The station makes on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meetings policy and provide information about how the public can obtain information regarding specific dates, times, and locations.

Open Financial Records

While WYIN provided its audited financial statements on its web site, it did not post its CPB Annual Financial Report and its Digital Distribution Fund (DDF), Round 11, Grant #12301, financial report as required by the Act. These reports were not in the files maintained for public review. The station's lack of compliance with the open financial records requirements deprives the public of the required information envisioned by the Act.

The Certification Requirements for Station Grants Recipients addresses open financial records, that include the AFR and Audited Financial Statements (AFS), as well as "other information regarding finances submitter to CPB related to any funding agreement with CPB that requires a final report."

Documenting Compliance with Requirements

Our examination found that WYIN had not established written policies and procedures to ensure its compliance with the Act's requirements for public meetings, open financial records, Community Advisory Board, EEO records, and donor lists. As previously mentioned, the station did not fully comply with open meetings and open financial records requirements. The lack of policies contributed to its non-compliance. Further, while the station was able to retrieve the financial and EEO information from its databases for our audit, the station did not have documented procedures in place to provide operating guidance for staff to follow to achieve compliance with the Act's requirements.

Documentation guidelines for all sections of the Act obligate each station "to develop documentation indicating the manner of compliance" with each requirement. CPB's Certification Requirements for Station Grant Recipients provides guidance to establish written procedures addressing open meetings, open financial records, Community Advisory Board, EEO information, and donor lists. 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 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. 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.

Through our discussions with station officials, it appeared that WYIN officials were not fully aware of the Act's requirements for open meetings, making financial and EEO information available to the public, and establishing written operating procedures to ensure compliance with the Act requirements during our audit period. Additionally, WYIN had not established adequate controls over the annual grant certification process to ensure compliance with all the CPB grant requirements in applying for a new grant. The Administrative Coordinator advised us that senior management relies on information provided by the external annual audit to certify the station's compliance with CPB grant 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. WYIN obtained annual funding based on an inaccurate certification of compliance with CPB requirements.

Recommendations

- 1) We recommend that CPB require WYIN management to fully comply with all requirements of the Act and provide CPB with documentation of its compliance with the following requirements over the next fiscal year:
 - a) Make on-air announcements for at least three consecutive days once each calendar quarter that explain the station's open meeting policy and provide information on how the public can obtain information regarding specific dates, times, and locations of public meetings. Maintain documentation of station on-air announcements aired, including the date and time of each announcement.
 - b) Develop controls that ensure that financial records provided to the public include any agreements with CPB that requires a financial report.
 - c) Establish written implementing policies on the station's practices for all of the Act's requirements, including open meetings, maintaining open financial records, Community Advisory Board activities, making EEO information available to the public, and securing donor lists.

Managements Response

WYIN's response did not dispute these findings. WYIN's response identified the corrective action taken to comply with open meetings and open financial records requirements as referenced in their written response provided in Exhibit F. They are now making quarterly on-air announcements on at least three consecutive days explaining its open meeting policy and how to obtain information on its next public meeting. Additionally, their response included written policies addressig the five

Communications Act requirements for open meetings, open financial records, Community Advisory Board, EEO and donor lists.

OIG Review and Comments

Based on WYIN's response, we consider recommendations 1. a-c resolved but open pending CPB's acceptance of WYIN's corrective actions.

The Independent Public Accountant's Attestation of Non- Federal Financial Support Was Not Conducted Properly

Our examination of the IPA's work papers prepared during their annual audit of WYIN's financial statements and attestation of WYIN's NFFS found that the attestation was provided to CPB without conducting any tests of NFFS eligibility under CPB's financial reporting guidelines. In fact, the lead auditor that provided oversight of the audit told us that she was not aware of the CPB Financial Reporting Guidelines (Guidelines) for reporting NFFS prior to our discussion with her. As a result, they did not use the specific criteria in the Guidelines to test WYIN's reporting of NFFS. CPB relies on the IPA to conduct an attestation examination to provide CPB with assurance that the claimed NFFS is accurate and complies with CPB Guidelines. Not testing for NFFS reporting compliance did not provide CPB with the level of assurance anticipated by requiring an attestation examination be conducted and certified to CPB.

CPB Guidelines for preparing the AFR state that the NFFS attestation is considered an integral part of the AFR. In accordance with requirements of the American Institute of Certified Public Accountants (AICPA); an attestation is a conclusion about the reliability of a written assertion that is the responsibility of another party. CPB requires that grantee AFRs be examined by an IPA in accordance with attestation standards adopted by the AICPA.

When the IPA completes the CPB Accountant's Qualification Statement the IPA certifies that "they are qualified to express an opinion on the grantee's assertion of its compliance with CPB's Fiscal Year Financial Reporting Guidelines governing the amounts reported as Non-federal Financial Support."

Recommendation

- 2) We recommend that CPB management require WYIN to ensure its IPA conducts an attestation examination of its AFR in accordance with the AICPA and CPB Financial Reporting Guidelines.

Managements Response

WYIN's response did not dispute this finding. WYIN's response provided a copy of their engagement letter with its IPA to perform an agreed-upon-procedures engagement to test NFFS and express an opinion on management's assertions about compliance with CPB's FY 2012 Financial Reporting Guidelines.

OIG Review and Comments

Based on WYIN's response, we consider recommendation 2 unresolved because the CPB guidelines require that the IPA perform an attestation examination in accordance with the AICPA standards. Under the AICPA Codification of Statements on Standards for Attestation Engagements, an engagement performed under agreed-upon-procedures is not an examination as defined under AT Section 101, Attest Engagements of the Codification and does not provide an opinion. Under AT Section 201, Agreed-Upon Procedures Engagement, the IPA is performing the procedures agreed to by the client. In performing an attestation examination engagement under AT Section 101 the IPA is free to choose the procedures performed to provide an independent opinion on compliance.

Exhibit A

**Schedule of CPB Payments to WYIN
October 1, 2009 – September 30, 2011**

Grant	Grant Amount	Payment	Payment Date
CPB Digital Distribution Funds (DDF) for round 11, priority 2	\$345,983 ¹	\$84,383	1/11/2010
FY 2010 TV Community Service Grant	\$592,164	\$296,082 \$296,082	10/26/2009 03/09/2010
FY 2010 TV Interconnection Grant	\$11,810	\$5,905 \$5,905	10/26/2009 03/09/2010
FY 2011 TV Community Service Grant	\$615,823	\$307,912 \$307,911	11/09/2010 02/23/2011
FY 2011 TV Interconnection Grant	\$11,869	\$5,935 \$5,934	11/09/2010 02/23/2011
Fiscal Stabilization Grant	\$42,748	\$42,748	01/13/2010
CPB Total Payments		\$1,358,797	

Note: CPB payments were recognized as revenues when WYIN received the Electronic Payment Notice from CPB.

¹ Grant award executed by CPB on February 4, 2009, prior to the beginning of our audit period on October 1, 2009.

Exhibit B**WYIN Annual Financial Report
Year Ending September 30, 2010**

Line	Schedule	FY 2010
	Schedule A, Source of Income:	
1	Amounts provided directly by federal government agencies	-0-
2.A.	CPB - Community Service Grants	\$592,164
2.B.	CPB – Digital Project Grants	91,383
2.D.	CPB - TV Interconnection grants	11,810
2.E.	CPB - all other funds	42,748
2.F.	PBS - all payments except copyright royalties and other pass-through payments	-0-
2.H.	Public broadcasting stations - all payments	-0-
3	Local boards and departments of education	-0-
4	State boards and departments of education	109,837
5	State colleges and universities	-0-
6	Other state-supported colleges and universities	-0-
7	Private colleges and universities	-0-
8	Foundations and nonprofit associations	200,000
9	Business and industry	1,371,074
10	Memberships and subscriptions	834,307
13	Auction Revenue (gross revenue)	169,841
14	Special Fundraising Revenue (gross expenses)	165,326
15	Passive Income	6,406
17	Endowment Revenue	-0-
18	Capital fund contributions	116,485
19	Gifts and bequests from major individual donors	-0-
20	Other Direct Revenue	-0-
21	Total Revenue	\$3,711,381
	Adjustments to Revenue:	
22	Federal revenue from Line 1	-0-
23	Public broadcasting revenue from Line 2	\$738,105
24	Capital funds exclusion (from line 18a) - TV only	116,485
25	Other revenue on Line 21 not meeting criteria to be included as NFFS	294,247
26	Other automatic subtractions from total revenue	93,138
27	Total Direct Nonfederal Financial Support	\$2,469,406

Exhibit B (cont.)

**WYIN Annual Financial Report
Year Ending September 30, 2010**

Line	Schedule	FY 2010
	<i>Schedule C, In Kind Contributions of Services and Other Assets:</i>	
4	Total in-kind contributions (professional services)- eligible as NFFS	\$5,366
5	In-kind Contributions Ineligible as NFFS	32,570
6	Total In-kind Contributions - services and other assets	\$37,936
10	Total Expenses and Investment in Capital Assets	\$4,252,635
	<i>Schedule E, Expenses:</i>	
	Program Services	
1	Programming and production	\$1,294,716
2	Broadcasting and engineering	994,569
3	Program information and promotion	10,410
	Support Services	
4	Management and general	866,493
5	Fundraising and membership	613,279
6	Underwriting and grant solicitation	360,739
7	Depreciation and amortization	38,755
8	Total Expenses	\$4,178,961
9	Total capital assets purchased or donated	73,674
10	Total Expenses and Investment in Capital Assets	\$4,252,635

**WYIN Annual Financial Report
Year Ending September 30, 2011**

Line	Schedule	FY 2011
1	Amounts provided directly by federal government agencies	-0-
2.A.	CPB - Community Service Grants	\$615,823
2.D.	CPB - TV Interconnection grants	11,869
2.E.	CPB - all other funds	-0-
2.F.	PBS - all payments except copyright royalties and other pass-through payments	-0-
2.H.	Public broadcasting stations - all payments	-0-
2.I.	Other PBE funds	-0-
3	Local boards and departments of education	-0-
4	State boards and departments of education	145,252
5	State colleges and universities	-0-
6	Other state-supported colleges and universities	-0-
7	Private colleges and universities	-0-
8	Foundations and nonprofit associations	200,000
9	Business and industry	1,423,080
10	Memberships and subscriptions	906,687
13	Auction Revenue (gross revenues)	129,290
14	Special Fundraising (gross revenue)	138,283
15	Passive Income	4,043
16.A.	Gains from sales of property and equipment	2,469,357
17	Endowment Revenue	-0-
18.A.	Capital Fund Contributions	2,500
19	Gifts and bequests from major individual donors	1,000
20	Other Direct Revenue	-0-
21	Total Revenue	\$6,047,184
	Adjustments to Revenue:	
22	Federal revenue from Line 1	-0-
23	Public broadcasting revenue from Line 2	\$627,692
24	Capital funds Exclusion	2,500
25	Other revenue on Line 21 not meeting criteria to be included as NFFS	272,405
26	Other automatic subtractions from total revenue	2,553,478
27	Total Direct Nonfederal Financial Support	\$2,591,109
9	Total capital assets purchased or donated	153,715
10	Total Expenses and Investment in Capital Assets	\$4,253,726

**WYIN Annual Financial Report
Year Ending September 30, 2011**

Line	Schedule	FY 2011
	<i>Schedule C, In Kind Contributions of Services and Other Assets:</i>	
4	Total in-kind contributions - eligible as NFFS	\$2,000
5	In-kind Contributions Ineligible as NFFS	20,690
6	Total In-kind Contributions - services and other assets	\$22,690
	<i>Schedule E, Expenses:</i>	
	Program Services	
1	Programming and production	\$1,260,879
2	Broadcasting and engineering	931,140
3	Program information and promotion	-0-
	Support Services	
4	Management and general	844,539
5	Fundraising and membership	574,470
6	Underwriting and grant solicitation	455,020
7	Depreciation and amortization	33,963
8	Total Expenses	\$4,100,011
9	Total capital assets purchased or donated	153,715
10	Total Expenses and Investment in Capital Assets	\$4,253,726

EXHIBIT D

WYIN Summary of Non-Federal Financial Support FY 2010-2011
Certification 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)	\$2,469,406	\$2,591,109
3.	In-Kind Contributions (Schedule C)	5,366	2,000
4.	Total Non-Federal Financial Support	\$2,474,772	\$2,593,109

SCOPE AND METHODOLOGY

We performed this audit as a compliance attestation examination under the *Government Auditing Standards*. Our objectives were to determine whether WYIN reported NFFS in accordance with CPB Guidelines; complied with Certification of Eligibility requirements and selected provisions of the Communications Act of 1934; and, spent grant funds in accordance with grant terms. We performed our field work during the period July 2012 through November 2012.

The scope of the audit included tests of the AFRs, Schedules A, and C, and the data reported on them for the periods ending September 30, 2010 and 2011. We tested the accuracy of the \$5,067,881 million of NFFS claimed on WYIN's AFRs by performing 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. We evaluated compliance with CPB Guidelines, in part, by reviewing internal controls and the IPA's work performed for membership cash receipts. We also reviewed source documentation for underwriting agreements, state revenue, auction revenue and production revenue. We tested NFFS revenues of \$2,006,960 (39.6 percent) judgmentally selecting large transactions from high risk revenue categories.

We tested \$148,296 of \$1,277,016 (11.6 percent) CPB CSG grant expenditures. The bulk of the grant funds were spent on dues/memberships costs. Our judgmental samples focused on larger transactions, including other operating costs to determine compliance with grant agreement terms. We reviewed documentation of WYIN's compliance with the Communications Act requirements. Specifically, we reviewed WYIN's advance notice of the Board of Directors public meetings, Community Advisory Board requirements, financial information made available to the public, Equal Employment Opportunity (EEO) reports, and donor list and political activities requirements. Additionally, we interviewed WYIN staff to identify station operations relating to Act compliance.

To assist in our audit planning and assure ourselves that we could rely on the work performed by WYIN's independent public accountant (IPA), we met with representatives of the firm that conducted WYIN's financial statement audit and attestation work on the AFRs. We reviewed the firm's work papers documenting tests of internal controls and its fraud risk assessment analysis. We were unable to evaluate the work performed by the IPA on the accuracy of WYIN's AFRs because the IPA did not test the reporting of NFFS against CPB reporting guidelines.

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



January 17, 2013

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

Dear Mr. Richardson:

Attached please find our response to your draft audit report dated December 12, 2012 for CPB Grants awarded to Northwest Indiana Public Broadcasting, Inc. for the periods ending September 30, 2010 and 2011, Report No. AST1206-XXXX.

We thank you for the opportunity to respond to the audit findings before the report becomes final. We greatly appreciate the suggestions Mr. Michael Levi recommended to us during his field work, and we believe you will find that the areas of the Communications Act where we were found to be noncompliant have been corrected in accordance with CPB's Certification Requirement for Station Grants Recipients.

Sincerely,

A handwritten signature in cursive script that reads "Mary Lewis".

Mary Lewis
Vice President of Administration

Cc: Dr. Bonita D. Neff, Board Chair, Interim Co-CEO
Mr. Cal Bellamy, Board Member, Interim Co-CEO

NONCOMPLIANCE WITH THE COMMUNICATIONS ACT

a) Open meeting requirements to provide quarterly on-air announcements of the station's open public meetings policies:

Included in this report are the written policies and procedures (EXHIBIT I) we have in place to assure programming of the quarterly announcements, and provide proof through station broadcast logs that quarterly on-air announcements were aired. We will continue to post all Board of Directors meetings and all Board Committee meetings on our website 7 to 10 days prior to the meeting date. We will also continue to air notices of these meetings at the end of our news broadcast each weeknight.

Additionally, information regarding NIPB's compliance with open meetings in accordance with the Communications Act can be found in our By-Laws (EXHIBIT III), and on our website www.lakeshoreptv.com.

b) Open Financial Records requirements to make the CPB Annual Financial Report and CPB grant financial reports available to the public:

Included in this report are the controls that have been put in place to ensure that financial records provided to the public include any agreements with CPB that requires a financial report. The policy also explains procedures for making all reports available to the public on our website, and the policy for maintaining a public file that includes all financial reports for public inspection.

c) Establish written implementing policies on the station's practices for all of the Act's requirements, including open meetings, maintaining open financial records, Community Advisory Board activities, making EEO information available to the public, and securing donor lists.

Please refer to the attached document "*Northwest Indiana Public Broadcasting, Inc. Policy & Procedure Manual for CPB Compliance*"

THE INDEPENDENT PUBLIC ACCOUNT'S ATTESTATION OF NON-FEDERAL FINANCIAL SUPPORT WAS NOT CONDUCTED PROPERLY

After initial preparation of the CPB Annual Financial Report, a review is conducted via phone with our Independent Auditor. All revenue lines are evaluated for accuracy and appropriate placement on the AFR before the CPA confirms the report. The independent audit firm did not, however, perform the necessary attestation examination in accordance with CPB Financial Reporting Guidelines during their annual audit fieldwork. The audit firm is now aware of this necessary function, and the NFFS attestation examination will be conducted before the AFR is released to CPB.

Each year, we complete an engagement letter with our audit firm which details all functions to be performed during the annual audit. We will now require an additional engagement letter defining the performance of the NFFS attestation examination as part of the annual audit function, and show the inclusion of this service in their fee schedule.

Please see attached engagement letter from our audit firm, Applegate & company, for AFR attestation.

APPLEGATE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Brenda K. Novak, CPA

September 26, 2012

**Ms. Peggy Rogers
Northwest Indiana Public
Broadcasting, Inc.
8625 Indiana Place
Merrillville, IN 46410**

RE: Agreed Upon Procedures

Dear Peggy:

We are pleased to provide you with a proposal for the performance of agreed upon procedures for Northwest Indiana Public Broadcasting, Inc. The objective of our procedures is to express an opinion on management's assertion about compliance with CPB's Fiscal Year 2012 Financial Reporting Guidelines governing the amounts reported as Non-Federal Financial Support during the fiscal year ended September, 30, 2012.

We will perform the following procedures to accomplish our objectives:

- 1. We will test support and revenue for qualification as NFFS under criteria listed in Section 2 of the guidelines.**
- 2. We will test the cash receipts for proper line item classification.**
- 3. We will test the support and documentation of contributed goods and services to ensure the fair value reporting is consistent with industry standards.**

The fee for the services as outlined in this letter will be based on the time spent on the engagement at our standard hourly rates which range from \$28 to \$129 per hour.

Paul E. Applegate, CPA is the engagement partner and is responsible for supervising the engagement and signing the report. Jason Nichols and one of our staff accountants will also be involved in the fieldwork.

Ms. Peggy Rogers
Northwest Indiana Public
Broadcasting, Inc.
September 26, 2012
Page -2-

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely yours,


Applegate & Company
Certified Public Accountants

Acknowledged:


Ms. Peggy Rogers

9/30/12
Date

CC: Mary Lewis
V.P. of Administration

AUDIT REPORT NO. AST1206-1301

**Exhibits I, II, and III referenced in the response from
WYIN-TV are available upon request.**

Contact our office at:

202.879.9669

or

**Corporation for Public Broadcasting
Office of Inspector General
401 Ninth Street, NW
3rd flr
Washington, DC 20004**