

CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL

**EVALUATION OF OPEN GRANTS/CONTRACTS WITH EXPIRATION
DATES OF JUNE 30, 2011 OR EARLIER**

REPORT NO. ECO1208-1303

March 29, 2013



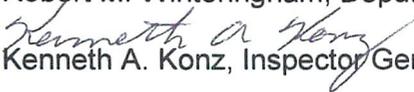
KENNETH A. KONZ
INSPECTOR GENERAL



Corporation
for Public
Broadcasting

Office of Inspector General

March 29, 2013

To: Robert M. Winteringham, Deputy General Counsel
From: 
Kenneth A. Konz, Inspector General
Subject: Evaluation of Open Grants/Contracts with Expiration Dates of June 30, 2011
or Earlier, Evaluation Report No: ECO1208-1303

We have evaluated the above referenced grants/contracts as of October 2012. The objectives of our evaluation were to: 1) verify funds available to deobligate; 2) actions taken by project officers to close-out grants/contracts; and 3) compliance with CPB Contract Close-out Procedures, Deobligation Policy, and the Project Officer Handbook.

Our evaluation found:

- Actions taken by the CPB over the last year reduced the number of open grants/contracts with ending dates of June 30, 2011 or earlier from 47 grants/contracts with \$6,434,658 in accounts payable to 4 grants/contracts with \$159,548 in accounts payable;
- Project officers and departmental managers have not adequately focused on closing out expired grants/contracts in accordance with established COO procedures, policies and guidelines;
- 9 of 9 grants/contracts' final deliverables were not submitted to CPB within the grant agreement timeframes (generally 45 days following the expiration of the grant period);
- 8 of 9 grants/contracts have now been closed out, the remaining open grant should be amended to extend the grant period;
- 6 of 8 grants/contracts closed out did not use the Closeout Checklist established by the Contract Closeout Procedures dated December 2010; and
- 1 of 5 grants/contracts subject to deobligation did not adequately document the decision to not deobligate CPB's proportionate share of unused funds on the project in accordance with CPB's Deobligation Policy dated January 30, 2008.

We performed our evaluation in accordance with the Council of Inspectors General on Integrity and Efficiency's (CIGIE) *Quality Standards for Inspection and Evaluation*, dated January 2011. Our scope and methodology is discussed in Exhibit E.

In response to the draft report, CPB management generally concurred with the findings and recommendations with respect to project officer oversight of grants and contracts. Further, management stated they will take under advisement the establishment of formal project officer performance objectives and continue to provide training to department managers and project officers. Further, they stated they would continue to work on the creation of a new project management system within the financial constraints of reduced operating funds. Finally, they requested we re-evaluate our observation on CPB's compliance with its deobligation policy. CPB management's response to the draft report is presented in Exhibit F.

This report presents the conclusions of the OIG. The findings and recommendations contained in this report do not necessarily represent CPB management's final position on these matters. A final management decision on the recommendations will be made by CPB officials in accordance with established CPB audit resolution procedures. Based on CPB management's response we consider recommendations 1 and 3 resolved but open pending implementation of corrective actions. Recommendations 2 and 4 are unresolved pending CPB final management decision. CPB officials declined to implement recommendation 5. Since this recommendation does not warrant elevating it for higher review, we consider it resolved and closed.

Background

In June of 2011 we advised CPB that a large number of grants/contracts had not been closed out and unused funds had not been deobligated to make them available for use on current projects. CPB officials indicated they would be addressing these agreements in the near future. Early last year we announced that we would be initiating a review of these projects, which we started in June of 2012.

At the onset of our fieldwork we identified that 47 projects with endings dates of June 30, 2011 or earlier were pending formal closeout actions by CPB. These 47 agreements had \$6,434,658 in accounts payable per Exhibit A. We used a June 30, 2011 cut-off date because this would have allowed CPB a year's time to closeout these projects.

Since March 2012 CPB officials have taken significant actions to secure final deliverables and financial reports from the grantees/contractors to enable CPB to closeout these agreements. From March 2012 through October 2012, CPB made payments to grantees/contractors totaling \$1,489,349, deobligated \$1,356,324, and recovered \$18,706 from grantees/contractors. Additionally, we identified that two agreements grant period ending dates were erroneously recorded in GIFTS; both grants ending dates were after our June 30, 2011 cut-off period (with accounts payable of \$3,408,142). A third agreement (with accounts payables of \$40,000) was extended until July 31, 2012 without a formal grant agreement amendment. CPB's agreement to extend the grant period was documented in an email to the grantee. With these various adjustments, the October 2012 balance of open agreements in the backlog was reduced to 4 projects with accounts payables totaling \$159,548, per Exhibit B.

Findings

Lack of Reinforcement of CPB Closeout Procedures and Deobligation Policy Contributed to Delays in Deobligating Unused CPB Grant Funds

Our review of a backlog of 47 open expired grants/contracts found that these specific projects were not closed-out timely in accordance with CPB procedures, policies, and guidance. As a result, unused CPB funds of \$1,356,324 were not deobligated timely and made available to fund other CPB activities.

More specifically, we found that project officers had not adequately focused on closing out expired grants/contracts in accordance with established policy. Further, we found little evidence of management and executive oversight of this backlog to reinforce CPB procedures, policies, and guidance for managing the closeout of these specific projects. These findings only relate to the backlog of open projects with ending grant periods of June 30, 2011 or earlier. We did not review the management of any projects with ending dates after June 30, 2011.

CPB Contract Management Requirements

CPB's procedures, policies, and guidelines for closing out grants and contracts are contained in the following three documents.

Contract Closeout Procedures

CPB's Contract Closeout Procedures dated December 2010 provide guidelines regarding the procedures that should be followed by all Project Officers when closing grant/contract agreements. Project officers should initiate the closeout of each project immediately after the final payment has been made. Additionally, under *Deliverables* Project Officers are responsible for managing the receipt of all deliverables and ensuring that the deliverables are complete, timely and accurate. Further, under *Deobligations* the procedures state "When there is a balance for the project after all required payments have been made, Project Officers should deobligate those funds." Finally, under *Contract Closeout Checklist* Project Officers are required to complete the Contract Closeout Checklist which certifies completion of all closeout required tasks as part of closing the project. The completed Contract Closeout Checklist should be uploaded into GIFTS along with the other required closeout documents.

CPB Deobligation Policy

CPB's Deobligation Policy dated January 30, 2008 addresses the deobligation of CPB funds for projects completed under budget and provides for multiple approvals from CPB executives as follows:

In any instance where a project is completed at less than the total amount of the initial project budget, CPB shall deobligate a proportionate amount unless reasonable circumstances exist to justify not doing so. In each instance where CPB elects not to fully exercise its deobligation rights, the project officer shall document the reasonable basis for doing so, which shall then be approved by the department SVP. In the event that the dollar amount that CPB may deobligate exceeds \$25,000, any decision not to deobligate shall require the additional approval of CPB's COO.

Project Officer Handbook

The Project Officer Handbook originally issued December 9, 2010, updated on November 4, 2011, and again on June 22, 2012 states under *Contract Management Guidelines* that: "Project Officers are responsible for ensuring that all contract documents and data in CPB systems are current, accurate, and complete. Project Officers are responsible for knowing the current status of all projects in his or her portfolio." Further, project officers must also ensure that each completed contract has been accurately closed-out using CPB's Contract Closeout Procedures.

Sampling Results

Our sample of 9 of these 47 backlogged projects found:

- 9 of 9 grants/contracts' final deliverables were not submitted to CPB within the grant agreement timeframes (generally 45 days following the expiration of the grant period);
- 8 of 9 grants/contracts have now been closed out as of October 18, 2012 (the remaining open grant should be amended to extend the grant period);
- 6 of 8 grants/contracts closed out did not use the Closeout Checklist established by the Contract Closeout Procedures dated December 2010;
- 1 of 5 grants/contracts subject to deobligation did not obtain the written approval of the department's Senior Vice President or Chief Operating Officer in accordance with policy, however the decision to not deobligate CPB's proportionate share of unused funds (\$30,998) was discussed with the COO; and
- the elapsed days between the final payment/deobligation date and the final report due date ranged from 163 to 2,141 days (from 5 to 71 months) as presented in Exhibit C.

Further, our testing identified actions on two projects that were not consistent with previous CPB decisions creating a potential vulnerability for CPB (e.g., allegations of favoritism when policies are not fully followed or exceptions are made from standard practices).

- An internet upgrade and monetization grant awarded to a TV station for use of the internet by other stations came in under budget by \$50,000 (CPB's proportionate share of the savings would have been \$30,998). CPB decided not to deobligate CPB's portion of the unused funds and made a final payment of \$20,000 to reimburse the grantee the full \$200,000 in CPB funds budgeted under the agreement.

CPB officials explained that after researching the project file, conferring with OBA, reviewing the contract, and discussing with the COO, the CFO authorized the final payment. Further, officials explained that the final payment was consistent with the contract language that did not require pro-ration of expenses. Contract language stated "CPB shall reimburse Grantees for their actual fees and expenses as set forth in the Budget up to the amount of \$200,000 (total CPB commitment)."

While CPB has this flexibility under the CPB Deobligation Policy to pay the full amount of CPB's commitment under this agreement, the rationale for the decision wasn't documented by the Project Officer and the approvals of the department's Senior Vice President and COO were also not documented. The last time we reported a similar

finding, CPB's management decision¹ resolving the recommendation, stated "CPB has adopted new administrative practices to ensure that decisions like this receive appropriate executive review." That administrative practice was the CPB Deobligation Policy. This policy was not fully followed for this project underscoring the lack of adequate reinforcement of existing policies by departmental officials.

- A 2006 TV production grant with an ending date in 2007 was extended until 2008 by amendment. However, the grantee has not submitted their final deliverables and the grant has not been further extended by CPB. Recent discussions between the grantee and the CPB project officer revealed that the grantee is waiting for PBS to accept the production before submitting their final deliverables. At that time they will request payment of the remaining \$50,000 available under the grant. The decision to not amend this grant in this instance creates a potential vulnerability because the independent producer was a former CPB employee.

Contributing Factors

Based on our review of the project files, interviews with project officers and departmental officials, and discussions with executive team members, we identified the following contributing factors.

- Department management has not consistently monitored and ensured projects were closed out timely nor ensured that unused funds were de-obligated consistent with CPB close-out procedures, related policies, and guidelines;
- Project officer job performance elements did not specifically address project closeout requirements to reinforce importance of managing projects through closure;
- CPB officials said they had not historically focused on the close-out of completed grants/contracts leaving that to the executives of the respective departments;
- Each department uses different methods to track their projects and deliverables (e.g., Outlook, tickler files, Excel and Share Point); there is no common method being used to track the status of open projects. CPB did not accept a previous OIG recommendation² to establish a common project database to be used by all CPB departments and executives to oversee and manage all grant/contract activities.
- All project officers have not been fully trained in CPB grant/contract management procedures, policies, and practices (Project Officer Handbook).

We also considered whether project officers' workloads may have contributed to the delays identified during our review. We found that the 27 project officers' workloads averaged 9.8 projects (ranging from 1 – 33 projects for the 5 departments evaluated) per Exhibit D. However, none of the departmental managers interviewed indicated that the project officers' workload was a problem or contributed to the delays in closing our completed grants/contracts.

¹ CPB's management decision, dated June 25, 2010, for Audit Report No. AST702-802, Audit of Selected Corporation for Public Broadcasting Production and Other Grants Awarded to Educational Broadcasting Corporation for Fiscal Years 2005 and 2006, dated March 31, 2008.

² CPB's management decision, dated May 15, 2010, for Audit Survey of CPB's Accountability Over Grants and Contracts Awarded to PBS for FY 2006-2007, Survey Report No. EPT804-908, dated September 30, 2009.

In responding to our observation related to a common project database, CPB officials stated the Concurrence Request System (CRS) system provides for the creation of reports by department or by project officer. Additionally, the Contract Request Search tool can retrieve data from both the GIFTS and Great Plains accounting system, so financial reports could be created to identify payments, contract balances, and other contract information, but the system does not have the ability to track deliverables. Project officers have established their own means to track deliverables. While CSR and the Contract Request Search tool may have these capabilities, we didn't see any evidence that any special reports were created to facilitate contract oversight and management. Further, the financial information in Great Plains only records CPB's accounts payables and cash disbursements. The accounting system does not record what grantees or contractors have reported to CPB as expenditures incurred for these projects. Grantee reports would include all project expenditures, including expenditures from non-CPB funding sources. This information is needed to evaluate the total projects costs against the approved budget to determine compliance with agreement terms, as well as ensure CPB is only paying its proportionate share of the project's total costs.

Recommendations

We recommend that CPB management take actions to:

- 1) Ensure project officers closeout grants/contracts on a timely basis in accordance with established CPB procedures, policies, and guidelines by monitoring the status of all open grants/contracts.
- 2) Establish a performance objective in departmental manager's and project officer's job performance elements to manage grants/contracts in accordance with established CPB procedures, policies, and guidelines in a timely fashion, including closeout, to ensure the efficient and effective use of CPB funds.
- 3) Provide training to departmental managers and project officers on grant/contract management procedures, policies, and guidelines.
- 4) Reconsider the need to develop a common grant/contract project management system to be used by all departments and project officers to facilitate executive oversight across CPB departments.
- 5) Amend the grant period ending date for the one open project identified in Exhibit C.

CPB Management Response

In response to the draft report, CPB management concurs generally with the findings and recommendations in the draft report with respect to project officer oversight of grants and contracts. They said they will take under advisement the establishment of formal project officer performance objectives pertaining to management of grants and contracts and will continue to provide training to department managers and project officers.

Regarding the recommendation to develop a more thorough project management system, they said they will continue to work on the creation of a new system within the financial constraints of reduced operating funds. Further, the contract referenced in the report's final recommendation is in the final stages of close out and accordingly, CPB does not believe amending the contract is beneficial.

Regarding our finding on deobligating CPB's proportionate share of the funds where projects were completed under budget, CPB management referenced additional documentation for our consideration, citing grant language that CPB will provide reimbursement of actual fees and expenses up to \$200,000. CPB received required documentation from the grantee to support the full payment of \$200,000. CPB officials stated that the final payment of \$20,000 was made based on the grantee's performance and in compliance with the terms of the grant and not based on its deobligation policy.

OIG Review and Comment

Based on management's response we consider recommendations 1 and 3 resolved but open pending implementation of CPB's corrective actions. We consider recommendations 2 and 4 are unresolved pending CPB final management decision. Since CPB officials declined to implement recommendation 5 and we do not believe it warrants elevating for higher review, we consider it resolved and closed.

Regarding CPB's comments related to misapplying its deobligation policy, we noted in our sample that two other grants had similar grant language regarding reimbursing the grantee for actual fees and expenses up to the amount of the budget identified as "Total CPB Commitment." In those two instances CPB deobligated \$410,000 and \$338,848. CPB should consider clarifying in its grants terms how it will deal with grants that are completed under budget.

Exhibit A

Schedule of Open Grants/Contracts with Expirations
 Dates of June 30, 2011 or Earlier, as of June 2012

Fiscal Year Ended	Number Grants/Contracts	Cumulative Total	Unexpended Accounts Payable	Cumulative Total
2001	2	2	\$40,000.00	\$40,000.00
2003	1	3	\$20,000.00	\$60,000.00
2004	1	4	\$3,110.00	\$63,110.00
2005	2	6	\$415,699.06	\$478,809.06
2006	6	12	\$104,262.36	\$583,071.42
2007	6	18	\$149,891.00	\$732,962.42
2009	7	25	\$1,891,657.15	\$2,624,619.57
2010	15	40	\$1,004,632.15	\$3,629,251.72
June 30, 2011	7	47	\$2,805,406.16	\$6,434,657.88
Totals	47		\$6,434,657.88	

**Analysis of Open Accounts Payables Balances and Ending Balances
as of October 2012**

Fiscal Year	Beginning # Grants / Contracts	Beginning Accounts Payable	Refunded to CPB	Payments	Deobligations	Misclassified or Amended in GIFTS	Ending # Grants / Contracts	Ending Accounts Payable
2001	2	\$40,000	\$0	\$20,000	\$20,000		0	\$0
2003	1	\$20,000	\$0	\$0	\$20,000		0	\$0
2004	1	\$3,110	(\$2,192)	\$0	\$5,302		0	\$0
2005	2	\$415,699	\$0	\$0	\$415,699		0	\$0
2006	6	\$104,262	\$0	\$0	\$104,262		0	\$0
2007	6	\$149,891	\$0	\$0	\$99,891		1	\$50,000
2009	7	\$1,891,657	\$0	\$160,500	\$26,157	\$1,705,000	0	\$0
2010	15	\$1,004,632	(\$7,454)	\$640,638	\$234,400	\$40,000	2	\$97,048
June 30, 2011	7	\$2,805,406	(\$9,060)	\$668,211	\$430,613	\$1,703,142	1	\$12,500
Total	47	\$6,434,658	(\$18,706)	\$1,489,349	\$1,356,324	\$3,448,142	4	\$159,549

Sampled Projects Lapsed Day Analysis and Schedule of Noncompliance with CPB Practices

Grantee	Grant #	Grant End Date	Report Due Date	Final Payment / Deoblig	Lapsed Days - Due/Final	\$ Amount
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Deobligated	Payment	Noncompliance	
		Closeout Checklist	Deoblig Policy

Closed-out:						
Grantee A	#11148	9/30/10	11/15/10	4/10/12	512	\$100,000
Grantee B	#11497	2/14/10	3/31/10	7/13/12	835	\$20,000
Grantee C	#12137	4/30/10	6/15/10	6/11/12	727	\$154,329
Grantee D	#11027	9/14/11	10/30/11	4/10/12	163	\$172,000
Grantee E	#8251	11/15/04	6/15/06	4/25/12	2,141	\$410,000
Grantee E	#13161	6/30/10	10/15/10	4/16/12	549	\$145,100
Grantee C	#13379	6/30/11	8/31/11	9/17/12	383	\$978,380
Grantee F	#8938	12/31/07	2/15/08	10/15/12	1,074	\$5,000
Open:						
Grantee G	#6086	6/15/08	6/15/08		1,583*	\$50,000

	\$100,000	X	
	\$20,000	X	X
	\$154,329		
	\$172,000	X	
\$410,000		X	
\$111,671	\$33,429	X	
\$338,848	\$639,532		
\$5,000		X	

* Lapsed days calculated from report due date to October 15, 2012, latest date sampled items were deobligated.

**PROJECT OFFICER'S GRANT/CONTRACT
AVERAGE WORKLOAD FY 2012**

Department	Average # Grants/Contracts	# of Project Officers	Average # Grants/Contracts
Education	57	6	9.5
Media Technologies	52	3	17.3
Television	71	7	10.0
Radio	31	5	6.2
Media Strategies	53	6	8.8
Total	264	27	9.8

SCOPE AND METHODOLOGY

We conducted our evaluation in accordance with the Council of Inspectors General on Integrity and Efficiency's (CIGIE) *Quality Standards for Inspection and Evaluation*, dated January 2011. The objectives of our evaluation were to: 1) verify funds available to deobligate; 2) actions taken by project officers to close-out grants/contracts; and 3) compliance with CPB Contract Close-out Procedures, Deobligation Policy, and the Project Officer Handbook. We performed our evaluation field work during the period June through October 2012.

The scope of the evaluation included tests of expired grantee/contractor agreements with ending dates of June 30, 2011 or earlier. The grants/contracts evaluated were sampled from the Educational Programming and Services, Media Strategies, Media Technologies, TV Programming, and Radio departments. Grant/contract agreements, deliverable reports, e-mail correspondence, and project officer files were reviewed as part of our evaluation.

In conducting our work, we discussed the award and administration of the grants/contracts with CPB officials, Office of Business Affairs, Office of Budget and Finance, and respective department management staff. We verified grant/contract deliverables to agreement requirements by judgmentally sampling 9 grant/contract agreements valued at \$9,735,101.

We gained an understanding of the methods used by the executive staff and departmental management to oversee and ensure projects were properly managed, deliverables were received, final payments made, unused funds deobligated, and agreements closed out timely in accordance with CPB procedures, policies, and guidelines.



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Exhibit F

William P. Tayman, Jr.
Chief Financial Officer and Treasurer

March 26, 2013

MEMORANDUM

To: William J. Richardson, III, Deputy Inspector General

From: William P. Tayman, Jr., Chief Financial Officer & Treasurer

Re: Evaluation of Open Grants/Contracts with Expiration Dates of
June 30, 2011 or Earlier, Report No. ECO1208-XXX

Dear Mr. Richardson:

Management of the Corporation for Public Broadcasting appreciates the opportunity to comment on your February 22, 2013 draft evaluation of open grants and contracts with expiration dates on or prior to June 30, 2011. Management concurs generally with the findings and recommendations in this report with respect to project officer oversight of grants and contracts. We will take under advisement the establishment of formal project officer performance objectives pertaining to management of grants and contracts and will continue to provide training to department managers and project officers.

Regarding the recommendation on our project management system, we continue to work on the creation of a new system within the financial constraints of reduced operating funds. Finally, the contract referenced in your last recommendation is in the final stages of close out, accordingly, at this late date we do not believe amending the contract is beneficial.

There is additional documentation that we request you take under consideration relating to the application of CPB's deobligation policy as referenced on pages 4 and 5 of your report. Specifically, as noted on page 4, contract language in one of the grants reviewed is referenced that states in accordance with the terms on the particular contract, "CPB shall reimburse Grantee for their actual fees and expenses as set forth in the Budget up to the amount of \$200,000." Required documentation necessary to support the full payment of \$200,000 was received from the grantee. Thus, the final payment of \$20,000 was made based on performance and compliance with terms of the contract, and was not made as a result of application of CPB's deobligation policy as stated in the report. This section of your report should be redrafted to eliminate this portion of the report as it does not provide an accurate description of what occurred.

cc: Patricia de Stacy Harrison, President & Chief Executive Officer
Vincent Curren, Executive Vice President & Chief Operating Officer
Westwood Smithers, Jr., Senior Vice President, General Counsel
Jennifer Lawson, Senior Vice President, Television and Digital Video Content
Mark Erstling, Senior Vice President, System Development and Media Strategy
Bruce Theriault, Senior Vice President, Radio