CORPORATION FOR PUBLIC BROADCASTING

OFFICE OF INSPECTOR GENERAL

EXAMINATION OF SELECTED GRANTS AWARDED TO NEW YORK PUBLIC RADIO, WNYC-FM, NEW YORK, NEW YORK FOR THE PERIOD SEPTEMBER 15, 2007 – NOVEMBER 30, 2012

REPORT NO. ASR1307-1403

March 26, 2014

Corporation
for Public
Broadcasting

Office of Inspector General

Date: March 26, 2014

To: Jackie J. Livesay, Vice President, Compliance

Cc: Bruce Theriault, Senior Vice President, Radio

From: Mary Mitchelson, Inspector General Mary Mitchelson

Subject: Examination of Selected Grants Awarded to New York Public Radio, WNYC-FM, New York, New York for the Period September 15, 2007 – November 30, 2012, Draft Report No. ASR1307-1403

We have completed an examination of selected Corporation for Public Broadcasting (CPB) grants awarded to New York Public Radio (NYPR), for the period September 15, 2007 – November 30, 2012. The objectives of this examination were to examine NYPR management's assertions of compliance with grant agreement terms and conditions for grant spending and reporting total project costs.

Our examination found that NYPR:

- reported questionable indirect costs totaling $854,699, resulting in questioned CPB costs of $96,941; and
- did not report all project costs as required by the grant agreements.

We recommend that CPB management require NYPR to repay questioned grant funds and file corrected Final Financial Reports for the "WNYC Major Market Service Extension" Fiscal Years (FY) 2008-2011 and "The Takeaway" FY 2012 projects.

NYPR officials did not agree with our findings and related three recommendations. NYPR's written response to the draft report is presented in Exhibit E. Our findings and recommendations did not change based on NYPR's response to the draft report.

This report presents the conclusions of the OIG. The findings and recommendations presented in this report do not necessarily represent CPB's final position on these matters. CPB officials will make a final management decision on the recommendations in this report in accordance with established CPB audit resolution procedures. Based on NYPR's response to the draft report, we consider recommendations 1-3 unresolved and open pending CPB's final management decision.

We performed our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology are discussed in Exhibit D.

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BACKGROUND

NYPR's mission as stated on its website is "to make the mind more curious, the heart more tolerant and the spirit more joyful through excellent radio programming. NYPR station's WNYC 93.9 FM and 820 AM are New York's flagship public radio stations, broadcasting programs from NPR, American Public Media, Public Radio International and the BBC World Service, as well as a wide range of award-winning local programming."

According to its website, NYPR is the most listened-to radio station in Manhattan and the most listened-to public radio station in the country. Established in 1924 as a City of New York municipal radio station, the WNYC Foundation acquired the broadcast license from the city in March 1997 and the station is now run as New York Public Radio, a community station with a membership of more than 160,000 members. NYPR also operates WQXR, 105.9 FM, New York City's only all-classical music station.

In 2011 NYPR purchased four of the nine New Jersey state-operated FM radio stations. These stations carry WNYC-FM programming, as well as New Jersey local programming of interest to the state's residents.

We selected WNYC Major Market Service Extension Project (Major Market) and The Takeaway Project (Takeaway) for further examination in this report. These were two of the seven non-Community Service Grants awarded to NYPR that were included within our examination of revenues in our audit titled Examination of Grants Awarded to New York Public Radio, WNYC-FM, New York, New York for the Period July 1, 2010 – June 30, 2012, Report No. ASR1302-1307, dated September 27, 2013[1].

Major Market

In 2005, NYPR initiated a $57.5 million capital campaign in order to create a new regional/national broadcast facility, including a new street-level venue for live broadcasting, and cultural and community activities (the "Performance Space") that would be a central point around which the station's new and existing local, community-based programming will revolve. The use of the Performance Space was intended to raise the public's awareness of the station through community-based programming and to increase the institutional value of the grantee within the community. NYPR opened the Performance Space and closed the capital campaign in 2009.

An agreement was reached with CPB in September 2007 to fund up to $970,000 of the $5,068,897 budgeted for the Major Market project, that included the construction of the Performance Space as part of the overall project. The goal of CPB's Major Market project was to improve the capacity of select large market stations to spark a significant increase in total use of public radio, measured both locally and nationally. The project was to run through September 2010.

[1] Grants not selected for further examination included i) WNYC Workforce Diversity Associates Program; ii) WNYC Capital Campaign Consultant; iii) American Archive Content Inventory; iv) Hurricane Irene/Transmitter Facility & Tower Damage; and v) FY10-01 Digital Radio Conversion Fund.

This budget was subsequently amended twice, extending the project to September 2011 with no change in CPB funding. The final total budget for the project over the four year period was $8,923,708. CPB's funding remained at $970,000 and represented 11 percent of the final project's budget.

Takeaway

An agreement was reached in July of 2007 between Public Radio International (PRI) and CPB to research and develop a multi-platform morning news show. The morning show's development was a collaboration between PRI and NYPR (Co-Production Partner), as well as its editorial partners the BBC World Service, the New York Times, and WGBH. The project was to produce a new two-hour, multi-platform, daily, weekday morning news program, using NYPR's facilities for production, and PRI was to reimburse NYPR for its expenses.

According to NYPR officials the working title for the program was "The Morning Show" but was changed prior to the launch of the show to "The Takeaway." The program was designed to expand the diversity of the public radio audience, feature live national and international news, including cultural stories through reports from the field, interviews, or in-depth analysis and opinion, and in a livelier and more conversational format than traditional public radio news programming to make it more appealing to a wide and diverse audience.

From the project's inception (research and the first three years of the program), CPB funded the project through PRI. In the program's fourth year CPB awarded a $1,200,000 grant to NYPR, funding 28 percent of the $4,317,700 budget. During our audit period PRI remained a co-producer and the BBC World services, The New York Times, and WGBH were editorial partners. Currently the BBC World Service is not an editorial partner.

RESULTS OF REVIEW

We examined NYPR management's assertions of compliance with CPB's grant agreements terms and conditions for expending grant funds and reporting total project costs for the Major Market (Exhibit A) and Takeaway (Exhibit B) projects. NYPR management is responsible for compliance with these requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation engagements and, accordingly, included examining, on a test basis, evidence about NYPR'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 found that NYPR:

- reported questionable indirect costs totaling $854,699, resulting in questioned CPB costs of $96,941; and
- did not report all project costs as required by the grant agreements.

In our opinion, except for the noncompliance issues described above, NYPR has complied with the aforementioned requirements for the Major Market and Takeaway projects.

FINDINGS AND RECOMMENDATIONS

Questionable Indirect Costs

Our examination found questionable indirect costs for both the Major Market and Takeaway projects totaling $854,699, with CPB questioned costs of $96,941 as summarized in the following table.

Questioned Cost Summary

	Total Questioned	CPB Funding % per Budget	CPB Questioned
Major Market	$837,497	11%	$92,125
Takeaway	$17,202	28%	$4,817
Totals	**$854,699**		**$96,941**

We questioned Major Market indirect costs because the base used to calculate indirect costs included capital expenditures of $5,125,542, and the indirect costs pools used to claim indirect costs did not support the 18 percent rate used for FY 2008 and 2011. We questioned the Takeaway project's indirect costs because they were based on direct costs of $172,019 that were disallowed by CPB during the grant closeout. See Exhibit C for the summary calculation of questioned costs by fiscal year.

Major Market

Our examination of the Major Market's indirect cost charges identified questioned CPB costs of $92,125 because of two conditions: 1) the base NYPR used to calculate indirect costs included $5,125,542 in capital expenditures (resulting in $90,170 questioned); and 2) the indirect costs pools NYPR used to calculate FY 2008 and 2011 annual indirect costs did not support claiming the full 18 percent indirect cost rate provided in the grant agreement ($1,955 questioned).

Capital Expenditures in Base

The grantee included $5,125,542 of capital expenditures for fixed assets in its base when calculating indirect costs for this project. CPB practice for calculating indirect costs has followed Office of Management and Budget (OMB) cost principles, which provide that capital expenditures are not direct expenses. Generally accepted accounting principles allow organizations to expense capital purchases over multiple years through depreciation. In reporting indirect costs, NYPR improperly considered the capital expenditures as direct expenses in the year the capital assets were purchased, resulting in questioned CPB indirect costs of $90,170, as calculated below.

Questioned Indirect

Category	FY 2008	FY 2009	FY 2010	FY 2011	Total
Capital Expenditures	[redacted]	[redacted]	[redacted]	[redacted]	$5,125,542
Direct Expenses:					
Salaries	[redacted]	[redacted]	[redacted]	[redacted]	
Non-Payroll Expenses	[redacted]	[redacted]	[redacted]	[redacted]	
Total Direct Expenses	[redacted]	[redacted]	[redacted]	[redacted]	
Indirect Rate Used	[redacted]	[redacted]	[redacted]	[redacted]	
Allowable Indirect Costs	[redacted]	[redacted]	[redacted]	[redacted]	$541,521
Budgeted Indirect Costs[2]					$1,361,243
Questioned Indirect Costs[3]					**$819,722**
CPB Revenue %					11%
CPB Questioned Indirect					**$90,170**

In addressing indirect costs CPB has accepted indirect cost allocation methodologies that followed federal guidelines addressed in 2 CFR Part 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122). This OMB guidance states that capital expenditures shall be excluded from direct costs and the distribution base.

> b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs...

[2] NYPR's final financial report reported total indirect costs of $1,464,119. The grant agreement budgeted only $1,361,243 for indirect costs, which we used to calculate questioned indirect costs.
[3] Difference between budgeted total and allowable indirect costs.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or sub grants), direct salaries and wages, or other base which results in an equitable distribution.

OMB Circular A-122, Appendix A to Part 230 – General Principles, Sections D.2.b. and D.2.c.

NYPR's Indirect Costs do not Support 18 Percent Rate

NYPR's indirect cost pool allocations for FYs 2008 and 2011 did not support the actual indirect costs of 18 percent NYPR reported in its final financial report. This resulted in questioned CPB indirect costs of $1,955.

Using the indirect allocation pools provided by NYPR, we calculated a simple indirect rate (indirect costs over direct costs) using the total expenses reported in the annual financial statement audit reports for FYs 2008-2011.

Allocation Rate

	FY 2008	FY 2009	FY 2010	FY 2011
Indirect Costs	$5,405,678	$7,392,660	$7,663,278	$7,537,754
Direct Costs	$32,135,915	$35,779,343	$40,098,783	$45,508,936
Allocation Rate per Audit	16.9%	20.7%	19.1%	16.6%

Applying the difference between the reported 18 percent indirect rate and the rates calculated above for FYs 2008 and 2011, we calculated questioned indirect costs of $1,955, as follows.

Questioned Indirect

Category	FY 2008	FY 2011	Total
Total Direct Costs	[redacted]	[redacted]	
Indirect rate < 18% Claimed	[redacted]	[redacted]	
Questioned Indirect Costs	[redacted]	[redacted]	**$17,775**
CPB Revenue %			11%
Questioned CPB Indirect			**$1,955**

Grant terms required the grantee to maintain records to document overhead and administrative allocations to permit an effective audit.

Grantee shall keep, for a period of three years following the delivery of the final reports to CPB, such records as may be reasonably necessary to fully disclose the amounts expended pursuant to the Budget, the final financial report and any undertakings connected with this Agreement, and such other records as will facilitate an effective audit.

WNYC Major Market project, Section 9.(a).

NYPR's fiscal year indirect cost allocations were not adequately documented to facilitate an effective audit as required by the grant agreements. NYPR initially presented the auditors with indirect cost pools by FY that included depreciation costs for capital expenditures that were also incurred and reported as direct expenditures under the Major Market grant. Further, the indirect cost information provided did not document an indirect cost allocation rate (e.g., indirect costs/direct costs) by FY.

To conduct our testing, we had to construct annual allocation rates from the audited financial statements using the total expenses reported in the financial statements. NYPR subsequently revised its indirect cost pool, eliminating the depreciation for the capital expenditures incurred for this grant project. Additionally, the FY 2011 allocation had to be adjusted to eliminate the rent charged directly to CPB's Community Service Grant, as well as Department 51 costs reported directly that were also included as an indirect cost in the facilities expenses used in the overhead costs.

Takeaway Project

In closing out the Takeaway project CPB disallowed $172,019 in severance payments ($158,281) and legal fees ($13,738), however CPB did not address the associated $17,202 of indirect costs reported on these direct costs. Consequently, we questioned the $17,202 of indirect costs for this project. CPB's portion of these costs (calculated at 28 percent of the approved budget) totaled $4,817.

The grantee can claim incurred costs in accordance with the grant terms under the Work Scope, Budget, and Schedule of Deliverables and Disbursements.

> CPB hereby agrees, subject to and upon the terms and conditions set forth herein, to provide up to $1,200,000 (the "Grant Amount") of the total costs incurred by Grantee in the production of the Grant Project as defined in the Work Scope attached hereto.

Takeaway 2011-2012 agreement Article 2.1.

Indirect costs (management fees per budget) are based on direct costs incurred by the grantee. CPB's disallowance of reported direct costs negates the allowability of associated indirect costs claimed by the grantee.

Recommendations

We recommend that CPB officials require NYPR to:

1. repay questioned indirect costs of $96,941; and
2. document future indirect cost allocation methodologies used (indirect cost pools and direct cost base) to facilitate an effective audit to verify that the rates charged are supported in the accounting records and are consistently applied.

NYPR's Response

Regarding the Major Market project, NYPR agreed that the direct cost base used to calculate indirect costs included $5,125,542 of capital expenditures; however, it disputed the finding that it results in questioned CPB costs of $90,170. NYPR said that capital expenditures and related indirect cost allocations were clearly documented and included in the original budget approved by CPB in 2007 and then again in the revised budget approved by CPB in 2010. NYPR stated that it fully complied with the budget in reporting project expenditures. NYPR further asserted inclusion of capital expenditures as direct costs is supported by the "CPB Guidelines for Indirect Costs." Therefore, NYPR does not believe any amount is owed to CPB.

Additionally, NYPR did not agree with the statement that it did not provide the detail to support the 18 percent overhead rate for the 2008 and 2011 years resulting in questioned CPB costs of $1,955. For 2008, NYPR said it provided the detail support of overhead expenditures that were in excess of $11 million which would yield an allocation rate of 35 percent, which is over the allowable 18 percent. For 2011, NYPR agreed that it did not provide the full details of its overhead pool but rather a subset thereof that supported the 18 percent allocated rate. Additionally, NYPR said after adjustments for rent, other costs, and depreciation of CPB covered fixed assets, its pool still supported a 19 percent allocation rate.

Regarding the Takeaway project, NYPR agreed that when CPB disallowed $158,281 of severance payments and $13,738 of legal expenses CPB did not adjust for the associated management allocation cost of 10 percent related to these expenses. However, in reviewing the CPB deobligation, NYPR said it identified an error in the calculation. Of the $158,281 disallowed after the final financial report was submitted, NYPR asserted only $58,168 was actually included in the final financial report due to the fact that only 36.75 percent of the total costs of the show were allocated to the project, as noted in the findings on the financial reports. Therefore, NYPR alleged $100,113 in costs was incorrectly deducted as they were never included in the final expenses, resulting in the original deobligation amount being overstated by $28,032. The net impact of these calculations would allegedly result in NYPR being owed $26,018 as discussed further in its full response to the draft report in Exhibit E.

OIG Review and Comment

Based on NYPR's response to the draft report we did not change recommendations 1 and 2 and consider them unresolved and open pending CPB's final management decision on these recommendations. NYPR's response addressed the questioned cost in recommendation 1 but did not comment on recommendation 2 regarding documenting future indirect cost allocation methodologies.

Regarding the $90,170 questioned for including capital expenditures in the Major Market base, NYPR argued that indirect costs on capital expenditures were included in the approved project budget, and CPB's newly issued indirect cost policy item number 15 allowed capital expenditures as an indirect or direct cost subject to CPB approval. While CPB's indirect cost policy allows grant recipients to report capital expenditures as indirect costs (depreciation) or as a direct cost when approved by CPB, the policy also states the CPB's treatment of cost elements that differ from OMB Circular A-122 guidance can be applied only to projects that do not receive federal funding. The Major Market project received federal funds through the Lower Manhattan Development Corporation as reported on NYPR's 2011 annual financial report. As a result, CPB's item number 15 treatment of capital expenditures does not apply.

Even if NYPR had not received federal funds for the Major Market project, CPB should not allow all the indirect costs NYPR claimed, because the budget permitted the grantee to claim indirect costs that were not uniformly applied across different projects or accorded consistent treatment. In accordance with generally accepted accounting principles, capital expenditures (an asset) are expensed over a number of years through depreciation. NYPR included annual depreciation expenses from capital expenditures in its financial statements and in its indirect cost pool information. When NYPR applied the budgeted indirect cost rate (18 percent) to the project's direct cost base, a project base that included $5,125,542 in capital expenditures, it recovered an excessive amount of NYPR's overall indirect costs. This was more than applicable to other CPB funded projects, because those other projects' budgeted direct costs did not include capital expenditures.

Additionally, NYPR's application of indirect costs to the Major Market project was not consistent with the methodology used to establish an equitable indirect cost rate in the first place. In simplified terms, an indirect rate can be established by dividing indirect costs by direct costs using expense information reported in the financial statements (that includes depreciation). Classifying capital expenditures as a direct cost to claim indirect costs under the Major Market project was inconsistent with the methodology that established the indirect rate, because the budget used asset information ($5,125,542 in capital expenditures) as a direct cost to apply the rate against, when the allocation methodology treated depreciation as an indirect cost. This resulted in a disproportionate allocation of indirect costs to the Major Market project when compared to other projects operating at the same time.

Regarding the $1,955 questioned because the indirect costs did not support the 18 percent rate in the budget, NYPR did not provide documentation that supported an overall 35 percent indirect cost rate for FY 2008. Using the adjusted indirect cost information provided by NYPR, we were not able to reconcile our constructed 16.6 percent rate to NYPR's response of a 19 percent rate in FY 2011.

Regarding CPB's deobligation of funds from the Takeaway project, the information provided to us regarding the incorrect deobligated amount was not sufficient to enable us to evaluate NYPR's assertion that it is owed $26,018.

For the reasons explained above recommendations 1 and 2 will remain unresolved until CPB makes a final management decision.

Final Financial Reports

The final financial reports NYPR submitted to CPB did not include all expenses incurred for the Major Market or the Takeaway projects. The Major Market Final Financial Report was understated by $126,957 and The Takeaway Final Financial Report was understated by $275,101.

Both agreements required full reporting of project costs.

> Grantee shall keep, for a period of three years following the delivery of the final reports to CPB, such records as may be reasonably necessary to fully disclose the amounts expended pursuant to the Budget, the final financial report and any undertakings connected with this Agreement, and such other records as will facilitate an effective audit.

Section 9. (a) of the WNYC Major Market project.

> Form of Financial Reports. All financial reports must
>
> iv) cover all expenditures incurred in the performance of the Grant Project, whether or not CPB funds were applied to those expenditures;

Section 4.k.iv) CPB's Terms and Conditions for Takeaway project.

In filing the final financial report for the Major Market project timely, NYPR did not include all final costs as the month ending close had not yet occurred. As a result, NYPR understated its total costs incurred for the project by $126,957. For the Takeaway project, the final financial report NYPR submitted to CPB was understated by $275,101, because it did not fully include the three-month extension period expenses.

NYPR did not fully comply with CPB grant reporting requirements to provide complete accountability of all costs incurred for the Major Market and Takeaway grant projects.

Recommendation

We recommend that CPB officials require NYPR to:

3. submit amended final financial reports for the Major Market (FY 2008-2011) and the Takeaway (FY 2012) projects to account for all project costs.

NYPR's Response

NYPR agreed that the final reports did not include all expenses incurred for the Major Market and Takeaway projects. It agreed that the Major Market report to CPB was understated by $126,957, but did not agree that the Takeaway's expenses were understated by $275,101. NYPR stated that revised budget was submitted and approved by CPB stating that 36.75

percent would be used and reported as project related costs for the grant expansion period, representing a reduction from the original scope of the project for the extension period.

OIG Review and Comment

Amendment No. 1 to the grant agreement extended the grant period three months through November 30, 2012 and did not include any revision to the total budgeted costs for the project. The amendment made no reference to 36.75 percent of the costs for the extension period. Therefore, we consider recommendation 3 unresolved and open pending CPB's management decision.

Exhibit A

WNYC Radio Final Report to CPB
"Major Market Extension" Acct. No. 11028
Period of 9/15/07 – 9/14/11

	Amended Budget	Actual Year 1	Actual Year 2	Actual Year 3	Actual Year 4	Grand Total
INCOME						
LMDC	[redacted]					[redacted]
Campaign Contributions	[redacted]					[redacted]
CPB	[redacted]					[redacted]
Box Office Revenues & Corporate Sponsors	[redacted]					[redacted]
Foundation Support	[redacted]					[redacted]
Grantee Guarantee						[redacted]
TOTAL INCOME	**$8,923,708**					**$9,598,112**
CAPITAL EXPENSES						
Construction		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Equipment		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Furniture		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL CAPITAL EXPENSES	**$4,507,242**	[redacted]	[redacted]	[redacted]	[redacted]	**$5,125,542**
PAYROLL						
Executive Producer		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Production Manager		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Technical Director		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Part-time Security Manager		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SUB-TOTAL SALARIES		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Benefits		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL SALARIES	**$829,767**	[redacted]	[redacted]	[redacted]	[redacted]	**$895,688**
NON-PAYROLL						
Commissioned Performances		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rent & Utilities		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Honoraria		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Volunteers		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Freelancers & Consultants		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Exhibit A (continued)

WNYC Radio Final Report to CPB
"Major Market Extension" Acct. No. 11028
Period of 9/15/07 – 9/14/11

	Amended Budget	Actual Year 1	Actual Year 2	Actual Year 3	Actual Year 4	Grand Total
Equipment		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Promotion/Marketing		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Research		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Event costs		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Facilities costs		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Employee costs		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Professional Services -Ticketing		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Travel		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL NON-PAYROLL EXPENSES	**$2,225,456**	[redacted]	[redacted]	[redacted]	[redacted]	**$2,112,763**
Overhead 18%	1,361,243	[redacted]	[redacted]	[redacted]	[redacted]	1,464,119
TOTAL COMMUNITY ENGAGEMENT ACTIVITIES	**$8,923,708**	[redacted]	[redacted]	[redacted]	[redacted]	**$9,598,112**

Notes:

1) *Amended budget column added by auditor to Final Financial Report exhibit.*
2) *Year one capital expenses details do not reconcile to year one sub-total of* [redacted]*, however, we reconciled grand total of $5,125,542 to general ledger.*

Exhibit B

New York Public Radio (WNYC)
In Partnership with Public Radio International (PRI)
Final Report to CPB
CPB Account Number 14307 (The Takeaway)
For the Period 10/1/11 – 11/30/12

	Revised Budget	Actual	Variance
Revenues			
Corporation for Public Broadcasting	[redacted]	[redacted]	[redacted]
Station Revenue & Licensing	[redacted]	[redacted]	[redacted]
Corporate Sponsorship	[redacted]	[redacted]	[redacted]
Grants & Gifts	[redacted]	[redacted]	[redacted]
Partnership Investment	[redacted]	[redacted]	[redacted]
Grantee Guarantee	[redacted]	[redacted]	[redacted]
Total Revenue	**$4,317,701**	**$4,357,326**	**$39,625**
Expenditures			
Salaries & Benefits			
General Manager	[redacted]	[redacted]	[redacted]
Managing Editor	[redacted]	[redacted]	[redacted]
Host 1	[redacted]	[redacted]	[redacted]
Host 2	[redacted]	[redacted]	[redacted]
Sr Producer	[redacted]	[redacted]	[redacted]
On-Air Reporter	[redacted]	[redacted]	[redacted]
Producers	[redacted]	[redacted]	[redacted]
Associate Producers	[redacted]	[redacted]	[redacted]
Technical Director	[redacted]	[redacted]	[redacted]
Engineers	[redacted]	[redacted]	[redacted]
Digital Producer (WGBH)	[redacted]	[redacted]	[redacted]
Director of Budget/Project	[redacted]	[redacted]	[redacted]
Administrative Asst	[redacted]	[redacted]	[redacted]
Rollover/PT	[redacted]	[redacted]	[redacted]
Station Collaboration/Marketing	[redacted]	[redacted]	[redacted]
Subtotal	[redacted]	[redacted]	[redacted]
Temporary/Per Diem/OT/Prem	[redacted]	[redacted]	[redacted]
Severance Expense	[redacted]	[redacted]	[redacted]
Taxes/Benefits	[redacted]	[redacted]	[redacted]
Subtotal	[redacted]	[redacted]	[redacted]
Total Salary & Benefits	**$2,862,011**	**$2,896,819**	**($34,808)**

New York Public Radio (WNYC)
In Partnership with Public Radio International (PRI)
Final Report to CPB
CPB Account Number 14307 (The Takeaway)
For the Period 10/1/11 – 11/30/12

	Revised Budget	Actual	Variance
Production/Acquisition			
Retainers & Contributors	[redacted]	[redacted]	[redacted]
Access Fee	[redacted]	[redacted]	[redacted]
BBC Newsroom Fee	[redacted]	[redacted]	[redacted]
Station Related Marketing	[redacted]	[redacted]	[redacted]
Production Travel/Transportation	[redacted]	[redacted]	[redacted]
Total Production / Acquisition	[redacted]	[redacted]	[redacted]
Program Resources			
ISDN/Remote Studios	[redacted]	[redacted]	[redacted]
AP & other news services	[redacted]	[redacted]	[redacted]
Research / Software	[redacted]	[redacted]	[redacted]
T1 Lines - BBC	[redacted]	[redacted]	[redacted]
BBC Library Access Charges	[redacted]	[redacted]	[redacted]
Total Program Resources	[redacted]	[redacted]	[redacted]
Production Facilities & Occupancy	[redacted]	[redacted]	[redacted]
Online/Digital Development	[redacted]	[redacted]	[redacted]
Office Administration			
Administrative (conferences, meetings)	[redacted]	[redacted]	[redacted]
BBC Contingency	[redacted]	[redacted]	[redacted]
Realized Gains/Loss FX	[redacted]	[redacted]	[redacted]
Phone	[redacted]	[redacted]	[redacted]
Computers & Office Equipment	[redacted]	[redacted]	[redacted]
Supplies, Postage & Printing	[redacted]	[redacted]	[redacted]
Legal Services	[redacted]	[redacted]	[redacted]
Professional Services	[redacted]	[redacted]	[redacted]
Recruitment Expenses	[redacted]	[redacted]	[redacted]
Total Office Administration	[redacted]	[redacted]	[redacted]

New York Public Radio (WNYC)
In Partnership with Public Radio International (PRI)
Final Report to CPB
CPB Account Number 14307 (The Takeaway)
For the Period 10/1/11 – 11/30/12

	Revised Budget	Actual	Variance
Marketing & Promotions	[redacted]	[redacted]	[redacted]
Distribution	[redacted]	[redacted]	[redacted]
Research	[redacted]	[redacted]	[redacted]
Total Non-Staffing	**$1,047,262**	**$1,047,480**	**($217)**
Total Direct Production	**$3,909,273**	**$3,944,298**	**($35,026)**
Management Fees	$390,927	$394,430	($3,503)
Convening	$17,500	$18.598	($1,098)
Grand Budget	**$4,317,700**	**$4,357,326**	**($39,626)**

Exhibit C

Calculation of Questioned Indirect Costs

	FY 2008	FY 2009	FY 2010	FY 2011	Total	Questioned Costs	CPB Questioned
Major Market:							
Direct Costs							
Salary	[redacted]	[redacted]	[redacted]	[redacted]			
Non-Payroll	[redacted]	[redacted]	[redacted]	[redacted]			
Total Direct	[redacted]	[redacted]	[redacted]	[redacted]			
Allocation Rate	[redacted]	[redacted]	[redacted]	[redacted]			
Allowable Overhead	[redacted]	[redacted]	[redacted]	[redacted]	$523,746		
Indirect Budget[4]					1,361,243		
Questioned Indirect[5]						**$837,497**	
CPB Revenue Rate						11%	
CPB Questioned							**$92,125**
Takeaway:							
Questioned Indirect						**$17,202**	
CPB Revenue Rate						28%	
CPB Questioned							4,817
Total Questioned						**$854,699**	**$96,941**

[4] Final Financial Report reported indirect costs of $1,464,119.
[5] Difference between budget and allowable indirect costs.

Exhibit D

SCOPE AND METHODOLOGY

We performed an examination NYPR's records to determine compliance with the grant agreement requirements for the Major Market and the Takeaway projects. The scope of our examination included reviews and tests of grant information reported to CPB in its final financial reports and allowability of expenses claimed.

Our procedures included interviewing station officials and NYPR's independent public accountant to gain an understanding of internal controls over revenues, disbursements, and financial reporting. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Additionally, we reviewed supporting documentation for our tests of expenses to include payroll, vendors, freelance and consultant costs, promotion and marketing, honoraria, facilities, rent, utilities, and management fees as we considered necessary to determine allowability of costs and compliance with the grant terms for both grant agreements. We also reviewed the direct and indirect costs, allocation methodologies, and overhead rates applied to direct expenses. We also reviewed the reporting of total project costs in the final financial reports submitted to CPB.

Our fieldwork was conducted from February 2013 through August 2013. Our examination was performed in accordance with the *Government Auditing Standards* for attestation examinations.

NEW YORK
PUBLIC
RADIO

Exhibit E

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March 3, 2014

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

VIA FEDERAL EXPRESS

Re: WRITTEN COMMENTS OF NEW YORK PUBLIC RADIO TO DRAFT REPORT NO. ASR1302-1307 (EXAMINATION OF COMMUNITY SERVICE GRANTS AWARDED TO NEW YORK PUBLIC RADIO, WNYC-FM, NEW YORK, NEW YORK FOR THE PERIOD JULY 1, 2010 – JUNE 30, 2012)

Dear Deputy Inspector General Richardson:

On behalf of New York Public Radio, I respectfully submit the comments below to the above-referenced draft CPB report (the "Report").

Comments on Introductory Paragraphs

The current language states, "We have completed an examination of selected Corporation for Public Broadcasting (CPB) grants awarded to New York Public Radio (NYPR), for the period September 15, 2007 – November 30, 2012." However, expanding from the original notice of January 7, 2013, your examination was of *all grants open in FY11 and FY12*, which included, in addition to the two discussed, the following grants: (i) WNYC Workforce Diversity Associates Program; (ii) FY10-01 Capital Campaign Consultant; (iii) American Archive Content Inventory; and (iv) Hurricane Irene/Transmitter Facility & Tower Damage.

Comments on "Background"

1. "In 2011 NYPR purchased the four New Jersey state-operated FM radio stations." For clarification, there were nine stations, we purchased four of them.
2. "In 2005, NYPR initiated a $57.7 million Capital Campaign…" We both opened the Performance Space and closed the Capital Campaign in 2009. We suggest including this information so that it is clear that this is a historical paragraph.
3. "The program was initially titled 'The Morning Show,' but was changed in the third year to 'The Takeaway.'" "The Morning Show" was a working title that was changed prior to the launch of the show to "The Takeaway."
4. "PRI remains a co-producer and the BBC World services, The New York Times, and WGBH remain editorial partners." While PRI remains a co-producer and the New York Times an editorial partner, due to the evolution of the structure of the show, currently the BBC World Service is not an editorial partner.

Comments on "Findings and Recommendations"

Questionable Indirect Costs - Major Market – Capital Expenditures in Base: NYPR agrees that the direct cost base used to calculate indirect costs included $5,125,542 of capital expenditures, however disputes the finding that it results in CPB disputed costs of $90,170. The capital expenditures and related indirect cost allocations were clearly documented and included in the original budget submitted and approved by CPB in September 2007 and then again in the revised budget that was submitted and approved by CPB in April 2010. NYPR fully complied with this budget and the project reporting was in-line with the approved CPB budget. NYPR further asserts inclusion of capital expenditures as direct costs is supported by the "CPB Guidelines for Indirect Costs" where in Attachment A, CPB Treatment of Cost Elements under OMB Circular A-122* for CPB Funded Projects, it states under #15, Equipment and other capital expenditures, that these are "Allowable as an indirect cost in connection with Grantee's general business equipment and capital expenditures or, subject to CPB approval, as a direct cost tied to a particular project." Therefore NYPR does not believe any amount is owed to CPB.

Questionable Indirect Costs - Major Market – Indirect Costs do not Support 18 Percent Rate: NYPR does not agree with the statement that we did not provide the detail to support the 18% overhead rate for the 2008 and 2011 years resulting in questioned CPB costs of $1,955. For 2008, NYPR provided the detail support of overhead expenditures that were in excess of $11M which would yield an allocation rate of 35% which is over the allowable 18%. For 2011, NYPR agrees that we did not provide the full details of our overhead pool but rather a subset thereof that supported the 18% allocated rate. NYPR further agrees that a version of our calculated overhead allocation expenditures submitted during the audit did not adjust for rent costs covered by the CPB CSG grant and other Department 51 costs. However, the oversight in presentation was identified and corrected by NYPR and the corrected documentation was submitted during the audit. Inclusive of these adjustments, for 2011 NYPR presented indirect costs of $211k and agrees that depreciation expenses of $10k on CPB covered fixed assets should have been removed from this amount. Once deducted, the remaining indirect costs of $201k amounted to a 19% allocation rate which was still above the allowable 18%.

Further, NYPR submits that if the simple allocation rates calculated and used in the findings were applied across the entire grant period rather than year by year, the average of the allocation rates is 18.33% or if applied on a total cost basis, the average allocation rate is 18.24%, both higher than the 18% maximum actually applied.

Questionable Indirect Costs - Takeaway Project: NYPR agrees that when CPB disallowed $158,281 of severance payments and $13,738 of legal expenses they did not adjust for the associated management allocation cost of 10% related to these expenses. However, in reviewing the CPB deobligation, NYPR identified an error in the calculation. Of the $158,281 disallowed after the final financial report was submitted, only $58,168 was actually included in the final financial report due to the fact that only 36.75% of the total costs of the show were allocated to the project, as noted in the findings on the financial reports. Therefore, $100,113 in costs were incorrectly deducted as they were never included in the final expenses. This has resulted in the original deobligation amount being overstated by $28,032. This calculation error reduces the questioned costs of the management fees from $17,202 to $7,190 ($13,738 in legal fees and $58,168 in severance multiplied by 10%), resulting in only a CPB portion of $2,014. The net impact of both of these calculations would result in $26,018 due to NYPR as illustrated below.

Budget	$	4,317,700				
CPB Grant	$	1,200,000	Severence	Adjust for		
CPB Percentage of Budget		28%	Add Back	10% Mgt	Revised Exp	Amt Owed
Final Actual Expenses	**$**	**4,185,307**	**100,113**	**(7,190)**	**$4,278,230**	
CPB Grant (Final)	**$**	**1,171,886**			**$1,197,904**	**$ 26,018**

Final Financial Reports: NYPR agrees that the final reports did not include all expenses incurred for the Major Market and Takeaway projects. We agree that the Major Market report to CPB was understated by $126,957 which was driven in large part by timing differences between when the CPB reports were due and when the books and records were officially closed which followed the filing of the reports.

We do not agree that The Takeaway's expenses were understated by $275,101. A revised budget was submitted and approved by CPB stating that 36.75% would be used and reported as project related costs for the grant expansion period representing a reduction from the original scope of the project for the extension period. The large majority of the difference was due to the 36.75% calculation. NYPR's project reporting was in-line with the approved CPB budget and we fully complied with the requirements.

We thank you for this opportunity to respond to the report before it has been finalized.

Sincerely,

Laura Walker

President & CEO

Cc: William L. Gillette, CPB (wgillette@cpb.org)

William J. Richardson (brichardson@cpb.org)

Michele Rusnak (mrusnak@nypublicradio.org)