

**CORPORATION FOR PUBLIC BROADCASTING**

**OFFICE OF INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE GRANTS  
AWARDED TO FRIENDS OF KEXP,  
SEATTLE, WASHINGTON  
FOR THE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2018**

**REPORT NO. ASR1911-2003**

**March 24, 2020**



# Report in Brief

## Why We Did This Audit

We performed this examination based on our Annual Plan to audit a number of public television and radio stations.

Our objectives were to examine Friends of KEXP's (KEXP) certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend Community Service Grant (CSG) funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act). The amount of NFFS a station reports to CPB affects the amount of CPB funding the station receives.

Send all inquiries to our office at (202) 879-9669 or email [OIGemail@cpb.org](mailto:OIGemail@cpb.org) or visit [www.cpb.org/oig](http://www.cpb.org/oig)

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*Audit of Community Service Grants Awarded to Friends of KEXP, Seattle, Washington for the Period January 1, 2017 through December 31, 2018*

## What We Found

The station over and understated NFFS in both fiscal years (FY) with a net overstatement of \$20,359 in FY 2017 and \$31,968 in FY 2018.

**Overstated NFFS resulted in CSG overpayments of \$2,662.**

We also found the station did not fully comply with: (a) Act requirements for open and closed Board and Board committee meetings and (b) the General Provisions and Eligibility requirement for annual harassment prevention training.

The station agreed with our findings except for the finding that some components of sponsorship agreements be treated as exchange transactions and ineligible as NFFS. The station argued that the entire sponsorship agreement be treated as contributions.

The station agreed to take corrective actions on our recommendations to ensure future compliance.

CPB management will make the final determination on our findings and recommendations.

## What We Recommend

That CPB take the following actions:

- recover \$2,662 of excess CSG payments made to KEXP based on the NFFS reported on its FY 2017 and FY 2018 AFRs; and
- identify KEXP's corrective actions to ensure future compliance with NFFS reporting, open and closed meeting requirements, and annual harassment prevention training requirements.



Corporation  
for Public  
Broadcasting

Office of Inspector General

Date: March 24, 2020

To: Jackie J. Livesay, Vice President, Compliance  
Ted Krichels, Senior Vice President, System Development and Media Strategy  
Kathy Merritt, Senior Vice President, Journalism and Radio

From: Kimberly A. Howell, Inspector General *Kimberly A. Howell*

Subject: Audit of Community Service Grants Awarded to Friends of KEXP, Seattle,  
Washington for the Period January 1, 2017 through December 31, 2018,  
Report No. ASR1911-2003

Enclosed please find our final report which contains our findings and recommendations. CPB officials must make a final management decision on the findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft written response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of Inspector General's website and to Oversight.gov and will distribute to appropriate Congressional committees as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Bruce M. Ramer, Chair, CPB Board of Directors  
Elizabeth Sembler, Chair, Audit and Finance Committee  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
U.S. House of Representatives Committee on Oversight and Government Reform  
U.S. Senate Committee on Commerce, Science and Transportation  
U.S. House of Representatives Energy and Commerce Committee  
U.S. Senate Committee on Appropriations  
U.S. Senate Labor-HHS-Education Appropriations Subcommittee  
U.S. House of Representatives Committee on Appropriations  
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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## EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) awarded to Friends of KEXP (KEXP) for the period January 1, 2017 through December 31, 2018. Our objectives were to examine KEXP's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility (Eligibility) requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our audit, KEXP complied with CPB grant and Act requirements except for the following:

- over and understated NFFS in both fiscal years, with a net overstatement of \$20,359 in fiscal year (FY) 2017 and \$31,968 in FY 2018, resulting in CSG overpayments of \$1,061 in FY 2019 and \$1,601 in FY 2020, which we report as funds put to better use;
- did not fully comply with Act requirements for open and closed Board and Board committee meetings; and
- did not fully comply with General Provisions and Eligibility requirement for annual harassment prevention training.

We recommend that CPB:

- recover \$2,662 of excess CSG payments made to KEXP based on the NFFS reported on its FY 2017 and FY 2018 AFRs; and
- identify KEXP's corrective actions to ensure future compliance with NFFS reporting, open and closed meeting requirements, and annual harassment prevention training requirements.

In response to the draft report, KEXP officials agreed with our findings except for the finding that some components of sponsorship agreements be treated as exchange transactions and consequently ineligible as NFFS. The station argued that the entire sponsorship agreement be treated as contributions. The station stated that they had either already taken corrective action or are in the process of ensuring that they will be in full compliance with CPB CSG and Act requirements. KEXP's written response to the draft report is presented in Exhibit E.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings reported do not necessarily represent CPB's final position on these issues. While we have made recommendations that we believe would be appropriate to resolve these findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures.

Based on KEXP's response to the draft report, we consider recommendation one, two, and four unresolved and open pending CPB's final determination resolving these findings. We consider recommendation three resolved but open pending CPB's final determination accepting KEXP's corrective actions.

We performed this audit based on the OIG's annual plan. We conducted our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology are discussed in Exhibit D.

## **BACKGROUND**

KEXP is a public radio station in Seattle, Washington that produces music discovery experiences using a variety of platforms. The station is focused on community development and providing exposure to emerging artists. As noted in the station's Local Content and Services Report, through strategic partnerships with local government, businesses, and non-profits, the station engages the community by producing concerts that are free or benefit third-party non-profits.

CPB awards annual CSG grants to public television and radio stations based in part on the amount of NFFS claimed by all grantees on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by base and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for television and the other is for radio. The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total amount of NFFS claimed by all television/radio stations. The IRR is then multiplied by each station's total amount of adjusted 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 FY CSG amount. For example, CPB used the NFFS claimed by KEXP on its FY 2017 AFRs to determine the amount of the CSG the station received in FY 2019.

During our audit period, KEXP received \$1,482,709 from CPB for CSGs as itemized in Exhibit A. KEXP reported NFFS of \$16,979,410 in FY 2017 and \$7,052,139 in FY 2018 per Exhibit C. KEXP's audited financial statements reported revenues of \$21,771,290 in FY 2017 and \$11,207,273 in FY 2018. KEXP's FY begins January 1 and ends on December 31.

## **RESULTS OF AUDIT**

In our opinion, except for the noncompliance issues described below, KEXP has complied with the requirements in the following paragraph for the FY 2017 and FY 2018 Radio CSGs examined in Exhibit B.

We examined KEXP's management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes KEXP's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open and closed meetings, open financial records, Equal Employment Opportunity (EEO) reporting, Community Advisory Board (CAB), and donor lists; and discrete accounting 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 KEXP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a

reasonable basis for our opinion. Our examination does not provide a legal determination on KEXP’s compliance with specified requirements.

Our examination found the following issues of noncompliance with NFFS financial reporting, CPB grant agreement, Act, and Eligibility requirements. KEXP:

- over and understated NFFS in both FYs, with a net overstatement of \$20,359 in FY 2017 and \$31,968 in FY 2018, resulting in CSG overpayments of \$1,061 in FY 2019 and \$1,601 in FY 2020, which we report as funds put to better use;
- did not fully comply with Act requirements for open and closed Board and Board committee meetings; and
- did not fully comply with General Provisions and Eligibility requirement for annual harassment prevention training.

## **FINDINGS AND RECOMMENDATIONS**

### **I. NFFS REPORTING**

Our audit found that KEXP both overstated and understated various categories of NFFS as summarized in the following table and itemized in the chart below. Overstatements included underwriting revenues from ineligible sources and exchange transactions, capital gain distributions on endowment funds, and understatement of special fundraising expenditures from special fundraising revenues. Understated NFFS included overstated premium adjustment exclusions. The net effect is that the station overstated NFFS by \$20,359 in FY 2017 and \$31,968 in FY 2018 resulting in CSG overpayments of \$1,061 in FY 2019 and \$1,601 in FY 2020.

#### *NFFS Reporting Issues*

Conditions	Misstated FY 2017 NFFS	Misstated FY 2018 NFFS	Total Misstated NFFS
Overstated underwriting revenues from ineligible source	\$14,918	\$2,160	\$17,078
Ineligible payment sources	\$6,093	\$12,601	\$18,694
Overstated revenues in interest and dividends	\$10,025	\$0	\$10,025
Overstated special fundraising revenues	\$0	\$12,858	\$12,858
In-kind revenues for a public performance	\$0	\$9,255	\$9,255
Overstated premium adjustments	(\$10,677)	(\$4,906)	(\$15,583)
<b>Net Overstated NFFS</b>	<b>\$20,359</b>	<b>\$31,968</b>	<b>\$52,327</b>
CPB's FY 2019 and FY 2020 Incentive Rate of Return	5.213%	5.010%	
<b>CSG Overpayment</b>	<b>\$1,061</b>	<b>\$1,601</b>	<b>\$2,662</b>

The station cannot retroactively claim underpaid CSG based on underreported NFFS, however, we offset the understatement against overstated NFFS caused by other conditions. We classified the overpayments as funds put to better use for reporting purposes because the funds overpaid to KEXP could have been distributed to other public broadcasting entities.

The station cited multiple reasons for its reporting errors, e.g., a lack of understanding of CPB's requirements, guidance from the station's independent public accountant (IPA), and general ledger (GL) coding errors. Further discussion on our findings are presented below.

### **Underwriting Revenues from Ineligible Sources**

Our audit found that the station received underwriting and in-kind contributions from its affiliate, University of Washington. The University of Washington is a licensee for another public broadcasting radio station, KUOW-FM. KUOW-FM is considered a public broadcasting entity and is an ineligible source for NFFS. The station properly excluded from NFFS the in-kind contributions it received from the University of Washington on its FY 2017 and FY 2018 AFRs. However, the station included as NFFS underwriting direct revenues from the University of Washington totaling \$14,918 in FY 2017 and \$2,160 in FY 2018.

CPB's Financial Reporting Guidelines provide the following example of a public broadcasting entity:

- Any licensee or permittee of a public broadcasting station ...

The same reference further explains that:

The universe of eligible sources for contributions is relatively large: any source except the federal government or another public broadcasting entity, ...

CPB Guidelines, Part I – NFFS Guiding Principles and Policy, 2 Non-Federal Financial Support, 2.3 NFFS Criteria, 2.3.2 Interpretations, Source. (2017 and 2018).

The underwriting direct revenue from the University of Washington was determined to be ineligible NFFS. As a result, KEXP overstated NFFS by \$14,918 on its FY 2017 AFR and \$2,160 on its FY 2018 AFR which resulted in a CSG overpayment of \$778 in FY 2019 and \$108 in FY 2020.

Station officials stated they did not fully understand CPB guidance and restrictions. Station officials further stated that the station included underwriting direct revenues from the University of Washington because they understood the guidance to apply to in-kind contributions. The station excluded in-kind revenues from NFFS based on feedback from CPB's Grants Administration. The station did not receive specific guidance from CPB regarding the treatment of underwriting direct revenues from the University of Washington.

### **Ineligible Payment Sources**

Our audit found payments from ineligible sources totaling \$6,093 in FY 2017 and \$12,601 in FY 2018 for sponsorship and fee for service agreements.

The station had sponsorship agreements with third parties to co-produce public broadcasting events. Several of the agreements required the station to provide production services that benefited the third party, making it an exchange transaction rather than a contribution. These payments from ineligible sources were improperly included in NFFS. In doing so, the station overstated NFFS by \$6,093 in FY 2017 and \$3,177 in FY 2018.

In addition, the station overstated revenues by \$9,424 related to payment for video and production services for a broadcast event primarily benefitting a third party. The payment was recorded in special fundraising revenues in the FY 2018 AFR.

CPB Financial Reporting Guidelines explain the form of revenues eligible as NFFS as either a payment or contribution and define eligible source criteria for each:

In terms of the **purpose criterion**, to be eligible as NFFS a **contribution** must be specifically intended for the construction or general operations of a public broadcasting station, which includes producing, acquiring and disseminating educational programming.

However, for a **payment** in an exchange transaction to be eligible as NFFS the payment must be in exchange for educational or instructional television or radio programs. In other words, a qualifying source must pay the grantee to provide a service directly related to producing, developing, or delivering educational or instructional programming. Payments for non-broadcast activities that are not paid by a qualifying source and not in exchange for services directly related to producing, developing, or delivering educational or instructional programming are not eligible as NFFS....

The universe of eligible sources for contributions is relatively large: any source except the federal government or another public broadcasting entity, while the universe of eligible sources for payments in exchange transactions is relatively small: only eligible sources are state and local governments and educational institutions. Educational institutions are defined as degree-granting institutions.

CPB Guidelines, Part I – NFFS Guiding Principles and Policy, 2.3.2 Interpretations, Source. (2017 and 2018). (Emphasis in original.)

Station officials stated that sponsorship agreements were reviewed by the station's IPA and determined to be contributions. The station reported the revenues as NFFS eligible based on guidance from the IPA. In addition, the station stated that the services provided by the station under these agreements were for their normal operating costs, e.g. employee time and the normal costs of doing business. Finally, station officials stated that the station included a payment totaling \$9,424 from an ineligible source in error.

KEXP overstated NFFS by \$6,093 on its FY 2017 AFR and \$12,601 on its FY 2018 AFR which resulted in a CSG overpayment of \$318 in FY 2019 and \$631 in FY 2020.

### **Overstated Revenues in Interest and Dividends**

Our audit found an overstatement of eligible NFFS contributions in interest and dividends on other than endowment funds totaling \$10,025 in FY 2017. KEXP included capital gain distributions with eligible passive income from interest and dividends in AFR line 15A. In doing so, the station overstated NFFS by \$10,025 in FY 2017. The capital gain distributions relate to a quasi-endowment and should have been reported on AFR line 17C.

CPB allows certain investment income as NFFS from passive investments and endowments and its Guideline instructions explain how to report this income on the AFRs as follows:

**Line 15 – Passive Income**

Passive income derived from the use of property (e.g. from real estate and business investments...

**A. Interest and Dividends**

Report interest and dividend income, except earnings on endowment funds (see line 17). Do not use this line to report realized and unrealized gains and losses on marketable securities (see instructions for Lines 16 and 17).

**Line 17 – Endowment Revenue**

Report all contributions to endowment fund principal regardless of source or form of the amounts contributed. Also, report passive (interest and dividends) derived from endowment funds and realized and unrealized gains or losses from investments held by endowment funds....

**B. Interest and Dividends on endowment funds**

Use this line to report interest and dividends earned on endowment funds.

**C. Realized net investment gains and losses on endowment funds**

Use this line to report realized net investment gains and losses on endowment funds...The revenue on Line 17C will forward to Line 27 and will be automatically excluded from NFFS.

CPB Guidelines, Part III AFR and FSR line item instructions, Line 15A and 17B-D. (2017).

Station officials stated that the station overreported interest and dividends in FY 2017 because of a lack of understanding of CPB requirements in preparation of this section of the AFR.

KEXP overstated NFFS by \$10,025 on its FY 2017 AFR which resulted in a CSG overpayment of \$523 in FY 2019.

**Overstated Special Fundraising Revenues**

Our audit found that in FY 2018 the station overstated net special fundraising activities by \$12,858. The station understated expenses related to its annual fundraising event.

CPB Guidelines state how to record special fundraising activities on the AFR.

This line represents the net revenue earned from special fundraising activities. It is determined automatically by subtracting Line 14B from Line 14A. Only net special fundraising revenues (the gross special fundraising revenues less all direct, third-party expenses for the event) are eligible as NFFS. If direct special fundraising expenses are greater than gross special fundraising revenues, the loss will not affect NFFS.

Guidelines, Part III – AFR and FSR Line Item Instructions. 5 - Schedule A – Direct Revenue. Line 14 – Special fundraising activities (net). (2018).

Station officials stated that the station overreported net special fundraising activities because the expenses were coded to GL accounts that were not included in AFR line 14B.

KEXP overstated NFFS by \$12,858 on its FY 2018 AFR which resulted in a CSG overpayment of \$644 in FY 2020.

### **In-Kind Revenues for a Public Performance**

Our audit found the station overstated in-kind revenues by \$9,255 in its FY 2018 AFR. The station included in-kind revenues for donated production services for a public performance of a local production.

CPB Guidelines include a list of in-kind contributions that are prohibited from inclusion as NFFS for policy reasons. The list includes:

Local productions – A local production is one that is produced locally by or for the station, regardless of whether or not the production is distributed nationally, or whether the production is aired at all. The category of local productions includes, but is not limited to, station exclusive airings and public performances. In-kind contributions in support of local productions may not be claimed as NFFS.

CPB Guidelines further define a public performance as:

This is an event held in a public place with a general audience, where television or radio coverage is incidental. With or without that broadcast coverage the event would have taken place.

Guidelines, Part I – NFFS Guiding Principles and Policy, 2 Non-Federal Financial Support, 2.4 Revenues that Do Not Qualify as NFFS Due to Policy Restrictions, 2.4.2 All Grantees – In-kind Contributions Excluded from NFFS for Policy Reasons. (2018).

Station officials stated that it included in-kind revenues from a public performance in error. The station received additional in-kind revenues from the same source that were NFFS eligible. The station mistakenly consolidated the in-kind revenues and included the portion related to a local production in error.

KEXP overstated NFFS by \$9,255 on its FY 2018 AFR which resulted in a CSG overpayment of \$464 in FY 2020.

### **Overstated Premium Adjustments**

KEXP overstated the exclusion for high-end premiums by \$10,677 and \$4,906 in FY 2017 and FY 2018, respectively by including the dollar value of both high and low-cost premiums in the excluded amount.

CPB Guidelines instruct stations to adhere to IRS guidance and limit the contribution to the amount in excess of the fair market value of premiums.

The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium(s) provided by the charitable organization.

**For CPB's purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS.** CPB expects that all grantees are compliant with IRS rules and regulations on these matters.

Guidelines, Part III – AFR and FSR Line Item Instructions, 5 Schedule A – Direct Revenue, 10.1 NFFS Exclusion – Fair Market Value of high-end premiums that are not of insubstantial value. (2017 and 2018). (Emphasis in original.)

Based on discussion with station officials, the station did not segregate the costs of low-cost premiums from high end premiums in calculating the fair market value (FMV) exclusion in FY 2017 and FY 2018 because it would require additional effort for an immaterial amount.

KEXP overstated the exclusion for high-end premiums, which resulted in understated NFFS totaling \$10,677 and \$4,906 in FY 2017 and FY 2018, respectively. The station cannot retroactively claim underpaid CSG based upon underreporting of NFFS, but we offset the understatement against overstated NFFS caused by other conditions. This offset reduced overpayments in other categories by \$804.

### ***Recommendations***

We recommend that CPB management take the following actions:

- 1) recover \$2,662 in excess CSG payments made to KEXP based on the NFFS reported on its FY 2017 and FY 2018 AFRs; and
- 2) identify KEXP's corrective actions to ensure future compliance with the various NFFS reporting requirements.

### ***KEXP Response***

In response to the draft report, KEXP agreed with all findings on over and understated NFFS except for our finding that some sponsorships were exchange transactions. The station stated that sponsorships with the business community allow the station to execute programming that is central to the station's mission. In addition, the station mentioned that the independent external auditor and FCC attorney deemed the sponsorships to be contributions.

The station also stated that treatment of financial and in-kind support from the University of Washington has varied and CPB guidance has changed. The station understands that going forward all support from the University of Washington is ineligible for NFFS.

In 2020, the station invested in an accounting system upgrade that provides better data segmentation and more robust financial reporting.

### ***OIG Review and Comment***

Based on the station's response to the draft report, we consider recommendations one and two unresolved pending CPB's final determination addressing these recommendations, including resolving the exchange portion of KEXP sponsorship agreements and related corrective actions.

## **II. ACT COMPLIANCE**

Our examination found that KEXP did not fully comply with CPB’s open meeting requirements to provide seven days advance notice for public meetings, nor did it make available to the public the reasons meetings were closed in a timely manner.

### **Advance Notice of Meetings and Closed Meetings**

KEXP did not fully comply with the statutory provisions of the Act or the CPB Certification Requirements to provide seven days advance notice for 16 of 62 Board and Board committee meetings that were open or partially open to the public.

For 19 out of 21 Board and Board committee meetings that were closed or had closed sessions, KEXP did not post to its website reasons or make available to the public the reason(s) for the closed meetings or closed executive sessions. These meetings consisted of 12 Board and 7 Board committee meetings.

The Act and CPB require that stations make reasonable advance notice of open meetings to the public. The Act provides for the following:

Funds may not be distributed pursuant to this subsection to the Public Broadcasting Service or National Public Radio (or any successor organization), or to the licensee or permittee of any public broadcast station, unless the governing body of any such organization, any committee of such governing body, or any advisory body of any such organization, holds open meetings preceded by reasonable notice to the public.

Act, Subpart D – Corporation for Public Broadcasting, Sec. 396, 47 U.S.C. 396(k) Financing Restrictions, (4).

CPB’s Communications Act Compliance requirements clarify that stations may satisfy the reasonable notice requirement by doing one of the following:

Stations may satisfy that requirement by providing at least seven days advance notice of an Open Meeting, including the time and date of the meeting, by:

1. posting notice on the station’s website;<sup>1</sup>
2. broadcasting notice on-air between 6 a.m. and 11 p.m., as shown by the station’s log;
3. placing notice in the “Legal Notices” section of a local newspaper in general circulation in the station’s primary coverage area; or
4. giving notice through a recorded announcement accessible on the station’s phone system.

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<sup>1</sup> “Station website,” as defined in the General Provisions, includes the CSG recipient’s station website, if it has one, and if not then its licensee’s website or an affiliated station’s website. If the CSG recipient has none of the foregoing, it may, with CPB’s approval, use a website shared by other public broadcasting stations.

CPB's Communications Act Compliance requirements, I. Open Meetings, E. Notice of Open Meetings. (June 2016 and June 2018).

The Act and CPB require that stations make the reasons for closing a meeting or part of a meeting available to the public. The Act provides:

Nothing contained in this paragraph shall be construed to prevent any such board, committee, or body from holding closed sessions to consider matters relating to individual employees, proprietary information, litigation and other matters requiring the confidential advice of counsel, commercial or financial information obtained from a person on a privileged or confidential basis, or the purchase of property or services whenever the premature exposure of such purchase would compromise the business interests of any such organization. If any such meeting is closed pursuant to the provisions of this paragraph, the organization involved shall thereafter (within a reasonable period of time) make available to the public a written statement containing an explanation of the reasons for closing the meeting.

Communications Act of 1934, Subpart D – Corporation for Public Broadcasting, Sec. 396 (K) Financing Restrictions, (4). [47 U.S.C. § 396].

CPB defines a reasonable period of time for an explanation as 10 days:

CPB also requires that the written statement be made available for inspection, either at the CSG recipient's central office or posted on its station website, within 10 days after each closed meeting.

CPB Communications Act Compliance, II. Closed Meetings, C. Closed Meeting Documentation. (June 2016 and June 2018).

Based on discussion with station staff, in late 2017 and 2018 numerous individuals were responsible for compliance with open meeting requirements, making it difficult to monitor compliance. In late 2019, the station centralized the process by making compliance with open meeting requirements the responsibility of one individual.

Station officials stated that explanations for meetings that were closed or had closed sessions were included in the meeting minutes. However, the minutes were not filed and made available to the public within the 10-day window because they were not approved. Meeting minutes were approved at the next board or committee meeting. To ensure future compliance, the station has instituted procedures to log all CAB, Board, and Board committee meetings and updated its checklist to include posting reason(s) for closed meetings and closed sessions.

The station did not fully comply with open and closed meeting requirements of the Act during our audit period.

### ***Recommendation***

We recommend CPB management take the following action:

- 3) identify and assure the adequacy of KEXP's corrective actions to comply with open and closed meeting requirements.

### ***KEXP Response***

In its response, KEXP agreed with all findings concerning Act compliance and stated it had taken corrective actions to comply with open and closed meeting requirements. Specifically, the station created a compliance checklist to manage, track, and assign Communications Act requirements.

### ***OIG Review and Comment***

After reviewing KEXP's response, we consider recommendation three resolved but open pending CPB's final determination accepting KEXP's corrective actions to address noncompliance with open and closed meeting requirements.

## **III. GENERAL PROVISIONS AND ELIGIBILITY COMPLIANCE**

Our examination found that KEXP did not fully comply with the annual harassment prevention training requirement for the FY 2019 and FY 2020 CSG Agreements. Station officers, employees, and interns were required to complete annual training by October 1, 2018 and September 30, 2019 to certify compliance in the yearly CSG Agreements. Although station officials certified compliance with the requirement in the FY 2019 CSG Agreement on December 4, 2018, 11 of 122 individuals did not complete the annual training as of October 1, 2018.

As of September 30, 2019, 20 of 122 individuals did not complete the annual training. All individuals completed training by December 17, 2019 and the station certified its FY 2020 CSG Agreement on December 18, 2019.

The CPB General Provisions and Eligibility Criteria contain an annual harassment prevention training requirement that requires:

**Annual Harassment Prevention Training:** To ensure that CPB-supported public media stations train their personnel to recognize, avoid and report workplace discrimination, including harassment, CPB requires annual harassment prevention training for all officers, employees, and interns of each station as a condition of Grantee's CSG eligibility.

CPB Radio CSG General Provisions and Eligibility Criteria, Part I. CSG Program, Section 10: Training Requirements, A. Annual Harassment Prevention Training. (2019) (Emphasis in original.)

CPB's website clarified when stations need to complete the training.

Grantees must certify their compliance with the new requirement in the next CSG Agreement and Certification of Eligibility which you will receive in early November. This means that *you must complete this year's training no later than October 1, 2018* so your station can certify compliance in the FY 2019 CSG Agreement.

CPB website (June 2018). (Emphasis in original.)

Head of Grantees and Licensee Officials must certify their station's compliance with this requirement in the FY2020 CSG Agreement and Certification of Eligibility which stations will receive in early November. This means that *you must complete this year's training no later than September 30, 2019* in order to receive your payment in a timely manner.

CPB website (May 2019). (Emphasis in original.)

Based on discussion with station staff, the majority of individuals that did not complete training were interns employed between training sessions. In addition, the station mentioned it was difficult to get part-time staff, working a couple of hours outside the standard business day, to take the training.

Our examination found that KEXP did not fully comply with annual harassment prevention training requirements for the FY 2019 and FY 2020 CSG Agreements.

### ***Recommendation***

We recommend CPB management take the following action:

- 4) require KEXP to identify the corrective actions and controls it will implement to ensure compliance with the annual harassment prevention training requirement.

### ***KEXP Response***

In response to the draft report, KEXP agreed the station was noncompliant with the annual harassment prevention training requirement for the FY 2019 and FY 2020 CSG Agreements. They noted that all employees completed in-person or online training by December 17, 2019, a few months past the September 30 deadline. The station has started preparing to comply with the annual harassment prevention training requirement for 2020 and anticipates meeting the deadline.

### ***OIG Review and Comment***

Based on the station's response to the draft report, we consider recommendation four unresolved and open pending the station's identification of specific corrective actions and controls to ensure future compliance with the General Provisions and Eligibility requirement for annual harassment prevention training.

**CPB Payments to KEXP  
January 1, 2017 – December 31, 2018**

<b>CPB Grants</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Total</b>
<b>KEXP</b>			
Unrestricted Community Service	\$398,358	\$692,608	\$1,090,966
Restricted Community Service	141,642	250,101	391,743
<b>KEXP Total</b>	<b>\$540,000</b>	<b>\$942,709</b>	<b>\$1,482,709</b>

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
<b>Schedule A</b>		
<b>1. Amounts provided directly by federal government agencies</b>	\$0	\$0
A. Grants for facilities and other capital purposes	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$0	\$0
<b>2. Amounts provided by Public Broadcasting Entities</b>	\$544,259	\$943,709
A. CPB - Community Service Grants	\$540,000	\$942,709
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$0	\$0
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$2,652	\$0
E. Public broadcasting stations - all payments	\$0	\$1,000
F. Other PBE funds (specify)	\$1,607	\$0
<b>3. Local boards and departments of education or other local government or agency sources</b>	\$100,030	\$101,210
<b>3.1 NFFS Eligible</b>	\$91,787	\$91,017
A. Program and production underwriting	\$49,739	\$53,967
B. Grants and contributions other than underwriting	\$42,048	\$37,050
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
<b>3.2 NFFS Ineligible</b>	\$8,243	\$10,193
A. Rental income	\$0	\$0
B. Fees for services	\$8,243	\$10,193
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
<b>4. State boards and departments of education or other state government or agency sources</b>	\$36,798	\$6,083

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
4.1 NFFS Eligible	\$34,798	\$5,629
A. Program and production underwriting	\$29,948	\$5,629
B. Grants and contributions other than underwriting	\$4,850	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
4.2 NFFS Ineligible	\$2,000	\$454
A. Rental income	\$0	\$0
B. Fees for services	\$2,000	\$454
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
5. State colleges and universities	\$15,100	\$15,621
5.1 NFFS Eligible	\$14,918	\$15,120
A. Program and production underwriting	\$14,918	\$15,120
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	\$182	\$501
A. Rental income	\$0	\$0
B. Fees for services	\$182	\$501
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
6. Other state-supported colleges and universities	\$8,437	\$0
6.1 NFFS Eligible	\$8,437	\$0
A. Program and production underwriting	\$8,437	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
6.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$97,652	\$102,048
7.1 NFFS Eligible	\$92,179	\$94,271
A. Program and production underwriting	\$92,179	\$94,271
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$5,473	\$7,777
A. Rental income	\$0	\$0
B. Fees for services	\$5,473	\$7,777
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
8. Foundations and nonprofit associations	\$652,637	\$725,842
8.1 NFFS Eligible	\$617,730	\$698,055
A. Program and production underwriting	\$601,730	\$674,065
B. Grants and contributions other than underwriting	\$15,000	\$23,990
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$1,000	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$34,907	\$27,787
A. Rental income	\$0	\$0
B. Fees for services	\$34,907	\$27,787
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
9. Business and Industry	\$1,753,388	\$2,682,803
9.1 NFFS Eligible	\$1,612,974	\$2,021,861
A. Program and production underwriting	\$1,570,343	\$1,746,953
B. Grants and contributions other than underwriting	\$10,000	\$249,844



**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	\$81,250	(\$823,480)
17. Endowment revenue	\$0	\$0
A. Contributions to endowment principal	\$0	\$0
B. Interest and dividends on endowment funds	\$0	\$0
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$0	\$0
18. Capital fund contributions from individuals (see instructions)	\$46,021	\$15,770
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	\$46,021	\$15,770
B. Other	\$0	\$0
19. Gifts and bequests from major individual donors	\$11,435,823	\$2,068,787
19.1 Total number of major individual donors 2017 data 2018 data 559 678		
20. Other Direct Revenue	\$847,289	\$270,956
Line 21. Proceeds from the FCC Spectrum Incentive Auction, interest and dividends earned on these funds, channel sharing revenues, and spectrum leases	\$0	\$0
<b>22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)</b>	<b>\$18,661,044</b>	<b>\$8,216,924</b>
<b>Adjustments to Revenue</b>		
23. Federal revenue from line 1.	\$0	\$0
24. Public broadcasting revenue from line 2.	\$544,259	\$943,709
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$0	\$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$1,102,811	\$270,956
27. Other automatic subtractions from total revenue	\$613,869	\$473,627
A. Auction expenses – limited to the lesser of lines 13a or 13b	\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	\$124,827	\$278,360
C. Gains from sales of property and equipment – line 16a	\$1,627	\$288
D. Realized gains/losses on investments (other than endowment funds) – line 16b	\$9,401	\$12,901
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	\$81,250	(\$823,480)
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$0	\$0
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$33,192	\$35,270

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$155,527	\$146,944
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$2,500	\$440
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$0	\$525,000
K. FMV of high-end premiums (Line 10.1)	\$205,545	\$237,404
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$0	\$60,500
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	\$0	\$0
N. Proceeds from spectrum auction and related revenues from line 21.	\$0	\$0
<b>28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)</b>	<b>\$16,400,105</b>	<b>\$6,528,632</b>
<b>Schedule C</b>		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$51,750	\$268,085
A. Legal	\$0	\$0
B. Accounting and/or auditing	\$0	\$0
C. Engineering	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$51,750	\$268,085
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$527,555	\$255,422
A. Annual rental value of space (studios, offices, or tower facilities)	\$228,000	\$237,255
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$149,170	\$18,167
D. Other (see specific line item instructions in Guidelines before completing)	\$150,385	\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$0	\$0
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies	\$0	\$0
C. Local advertising	\$0	\$0
D. National advertising	\$0	\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$579,305	\$523,507
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$2,281,419	\$2,466,841
A. Compact discs, records, tapes and cassettes	\$3,592	\$0
B. Exchange transactions	\$20,983	\$40,003

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
C. Federal or public broadcasting sources	\$239,378	\$1,646,064
D. Fundraising related activities	\$985,466	\$96,301
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$30,044	\$11,050
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$0	\$0
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(b)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$18,350	\$0
M. Other	\$983,606	\$673,423
<b>6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.</b>	<b>\$2,860,724</b>	<b>\$2,990,348</b>
<b>Schedule D</b>		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$0
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0	\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
<b>8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.</b>	<b>\$0</b>	<b>\$0</b>
<b>Schedule E</b>		
1. Programming and production	\$5,710,167	\$6,584,910
A. Restricted Radio CSG	\$95,899	\$245,381
B. Unrestricted Radio CSG	\$305,704	\$280,262

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$5,308,564	\$6,059,267
2. Broadcasting and engineering	\$812,309	\$981,491
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$73,507	\$62,738
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$738,802	\$918,753
3. Program information and promotion	\$448,728	\$221,379
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$22,597	\$74,204
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$426,131	\$147,175
4. Management and general	\$561,754	\$958,297
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$5,528	\$32,252
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$556,226	\$926,045
5. Fund raising and membership development	\$2,400,924	\$3,005,751
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$14,045	\$12,804
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$2,386,879	\$2,992,947
6. Underwriting and grant solicitation	\$964,626	\$1,038,604
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$22,719	\$9,661
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$941,907	\$1,028,943
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$0	\$0
A. Restricted Radio CSG	\$0	\$0
B. Unrestricted Radio CSG	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$10,898,508	\$12,790,432
A. Total Restricted Radio CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$95,899	\$245,381
B. Total Unrestricted Radio CSG (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$444,100	\$471,921
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$0	\$0

**KEXP Annual Financial Reports  
Year Ending December 31, 2017 and 2018**

Description	FY 2017	FY 2018
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$10,358,509	\$12,073,130
9. Total capital assets purchased or donated	\$538,971	\$636,142
9a. Land and buildings	\$360,273	\$42,409
9b. Equipment	\$135,015	\$374,233
9c. All other	\$43,683	\$219,500
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$11,437,479	\$13,426,574
11. Total expenses (direct only)	\$8,574,168	\$10,387,959
12. Total expenses (indirect and in-kind)	\$2,324,340	\$2,402,473
13. Investment in capital assets (direct only)	\$538,971	\$528,642
14. Investment in capital assets (indirect and in-kind)	\$0	\$107,500
<b>Schedule F</b>		
<b>1. Data from AFR</b>		
a. Schedule A, Line 22	\$18,661,044	\$8,216,924
b. Schedule B, Line 5	\$0	\$0
c. Schedule C, Line 6	\$2,860,724	\$2,990,348
d. Schedule D, Line 8	\$0	\$0
e. Total from AFR	\$21,521,768	\$11,207,272
<b>2. FASB</b>		
<b>2. FASB</b>		
a. Total support and revenue - unrestricted	\$18,400,254	\$13,770,574
b. Total support and revenue - temporarily restricted	\$3,377,036	(\$2,563,301)
c. Total support and revenue - permanently restricted	\$0	\$0
d. Total from AFS, lines 2a-2c	\$21,777,290	\$11,207,273
<b>3. Difference (line 1 minus line 2)</b>	(\$255,522)	(\$1)
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.	(\$255,522)	(\$1)

**Summary of Non-Federal Financial Support**  
**For the period ending December 31, 2017 and 2018**  
**Certified by Head of Grantee and Independent Accountant's Report**

Line	Description	KEXP FY 2017	KEXP FY 2018	KEXP Total
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$16,400,105	\$6,528,632	\$22,928,737
2	Indirect Administrative (Schedule B)	0	0	0
3	In-Kind Contributions (Schedule C)	579,305	523,507	1,102,812
4	<b>Total Non-Federal Financial Support</b>	<b>\$16,979,410</b>	<b>\$7,052,139</b>	<b>\$24,031,549</b>

### **Scope and Methodology**

We performed an attestation examination to determine KEXP's compliance with CPB Financial Reporting Guidelines, provisions of the Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by the station on its AFRs and reconciled to audited financial statements for the years ending December 31, 2017 and 2018; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on KEXP's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements, as well as other documentation supporting revenues reported. Specifically, we reviewed 81 NFFS revenue transactions totaling \$12,441,810 of \$24,031,549 (52 percent) in FYs 2017 and 2018.

We reviewed the allowability of expenses charged to the CSGs. To determine that expenditures were incurred in accordance with the grant terms, we tested 30 CSG expenditure transactions totaling \$174,592 of \$1,257,301 (14 percent) reported on the Restricted Radio CSG and Unrestricted Radio CSG grants in FY 2017 and FY 2018. We reviewed journal entry details, vendor invoices, timesheets, and other documentation supporting expenditures.

We reviewed policies, records, and documents supporting the station's compliance with the Act requirements to: provide advance notice of public meetings; provide reasons for closed or partially closed meetings; have a Community Advisory Board (CAB); make financial and equal employment opportunity information available to the public; and safeguard donor lists. We also reviewed the station's website and policies to determine its compliance with CPB's eligibility transparency requirements. Furthermore, we reviewed the independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing station officials and its IPA.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of KEXP's policies and procedures for compliance with certification of eligibility requirements, Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Our fieldwork was conducted from September 2019 through January 2020. Our examination was performed in accordance with the *Government Auditing Standards* for attestation engagements.



March 5, 2020

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

Dear Deputy Inspector Richardson:

In this letter, please find the response of management of Friends of KEXP regarding the CPB Office of Inspector General's Audit of Community Service Grants awarded to KEXP for the period of January 1, 2017 through December 31, 2018. We are in agreement with many of the report's conclusions, and appreciate that the Audit has provided KEXP with an opportunity to clarify and improve processes around CPB compliance. The one item of disagreement is included in the respective section below.

Non-Federal Financial Support (NFFS) compliance of Annual Financial Reports (AFR) 2017-2018

Three of the five findings of overstatement of NFFS reporting were errors due to the limitations of our outdated accounting software. KEXP has invested in an accounting system upgrade in 2020 to provide us better data segmentation and more robust financial reporting.

As an affiliate of the University of Washington, KEXP has been a beneficiary of Community Service Grants for six years, during which time the treatment of financial and in-kind support from UW has varied, and CPB guidance has changed. As a result of this audit, we now understand all support from UW is ineligible for NFFS.

KEXP management respectfully disagrees with the Audit's finding that certain underwriting sponsorship revenues are exchange transactions as these sponsorship relationships with the business community allow us to execute programming central to KEXP's mission. In addition, both our independent external auditor and FCC attorney deem these sponsorships to be contributions.

Statutory provisions of the Communications Act of 1934

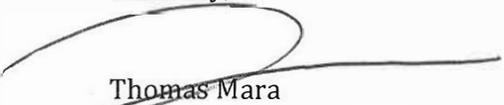
CPB's examination of open and closed meeting requirements has resulted in clarification and centralization of meeting reporting roles within KEXP. A compliance checklist is now employed to manage, track and assign Communications Act requirements.

General Provisions and Eligibility requirements of annual Harassment Prevention Training

All employees of KEXP completed in-person or online anti-harassment training by December 17, 2019, a few months past the September 30<sup>th</sup> compliance deadline. Preparations for harassment prevention training for 2020 have already begun, and KEXP anticipates all officers, employees and interns will complete training prior to the 2020 deadline.

In closing, we extend our thanks to [REDACTED] Team Leader from CPB's Office of Inspector General and the auditor on-site at KEXP. Her expertise, openness and assistance were much appreciated.

Sincerely,

  
Thomas Mara  
Executive Director/CEO