



Report in Brief

Why We Did This Evaluation

Our past audits of institutional stations claiming Indirect Administrative Support (IAS) Non-Federal Financial Support (NFFS) have found overstated NFFS related to stations' calculations of IAS. The accurate reporting of IAS NFFS is critical for the equitable distribution of the CSG funds to public broadcasters.

We judgmentally selected two stations to conduct a limited scope audit of NFFS reported as IAS in FY 2016. We reported separately on each station we audited and issued this summary report to CPB focusing on recommendations for systemic improvements to achieve more consistent reporting of IAS under the Basic Method.

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Evaluation Report on the Viability of CPB's Indirect Administrative Support Basic Method Option

What We Found

Based on limited scope station audits and our evaluation of the Basic Method, we believe it does not achieve CPB's goal to allocate costs to stations in proportions reasonably consistent with the stations' use of the licensee's resources.

Specifically, we found application errors in:

- calculating the institutional support allocation rate; and
- identifying indirect cost pools that include services that:
 - are an essential part of station operations;
 - are continuous and ongoing in support of the station;
 - the station uses or is required to use; or
 - were directly paid for by the station.

We also concluded that CPB's design of the Basic Method results in an inequitable allocation of licensee resources among all users of the services.

What We Recommend

That CPB evaluate whether the Basic Method remains an effective option for claiming IAS and consider developing a *de minimis* indirect rate option like that permitted under current federal guidelines

In response to the draft report, CPB disagreed with OIG conclusions but agreed that the Basic Method was complicated and said it is in the process of evaluating all appropriate methodologies for calculating IAS, a process which may be time consuming. We have not changed our findings or recommendations based upon CPB's response.

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